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## Ferry capsizes off Belgium

Helicopters and ships were racing to the rescue of more than 500 people aboard a British channel ferry which capsized after colliding with the harbour wall after leaving Zeebrugge, Belgium.

The Herald of Free Enterprise, an 8,000-ton Townsend Thoresen ferry, had turned on its side, according to early reports. Some people had been picked from the water by helicopters. There was no immediate information of the number of injuries.

The ferry was carrying 463 passengers and 55 crew from Dover. Belgian coastguards said: "We have been in touch with a ship in the vicinity and the vessel is completely turned on its side."

The Ministry of Defence said the destroyer Glasgow and frigate Diomedea were on the way. Two Royal Navy Sea Kings with divers from RAF Culdroe had been sent to the scene. Three Belgian Sea King helicopters were at the scene.

The vessel was about one to two miles from land and the weather was calm.

## WORLD NEWS

### Kinnock acts on hard-left

Labour leader Neil Kinnock called for a London meeting of party members in a move to prevent hard-left Labour councillors from damaging his party's electoral chances. Back Page

A Gallup poll last night put the Conservatives down 1 point from before the Greenwich by-election to 36.9 per cent, Labour dropped 3.3 to 30.6 per cent, and the Alliance were up 4.2 to 30 per cent.

### Death Briton to appeal

Briton Derrick Gregory, of Isleworth, Middlesex, is to appeal against the death sentence passed on him by a Malaysian court for drug trafficking.

### Reagan's rating rises

The US public's approval of President Reagan's job performance rose about 10 points after his speech on the Iran arms scandal, two TV polls showed. CBS said 51 per cent of people polled approved of his job performance against 42 per cent last weekend. ABC's poll put him up 10 points at 54 per cent.

### Labour MEP win

Labour held on to its Midlands West European Parliamentary seat in the elections last night with a win for John Bird, but with a greatly reduced majority.

### Heroin sentences

Steven Luben, 36, and Diane Feiner, 35, of Paddington, London, were jailed at Knightsbridge for four years for conspiring to supply heroin to pop star Boy George.

### Visit 'provocative'

Soviet Embassy said a group of Britons, including Tory MP Hugh Dykes, was refused visas to visit Moscow because members planned to raise the matter of Jewish emigration, which was "provocative."

### British Sugar fined

British Sugar was fined £2,100 at Bury for polluting the River Lark, near its Bury St Edmunds, Suffolk plant, and killing 15,000 fish.

### Vanunu trial postponed

The trial of former nuclear technician Mordechai Vanunu, due to start in Jerusalem on Sunday, has been postponed after he fled his lawyer.

### Campaigner sues police

Animal welfare campaigner Angela Walder, 42, of Minister, Kent, is suing the Metropolitan Police for alleged assault and battery, wrongful arrest and wrongful imprisonment, following her arrest during a demonstration at an East London animal market.

### Transplant patient dies

Israeli cancer victim Michael Shirman, whose sister was until last November denied permission to leave the Soviet Union to give him a bone marrow transplant, has died.

## BUSINESS SUMMARY

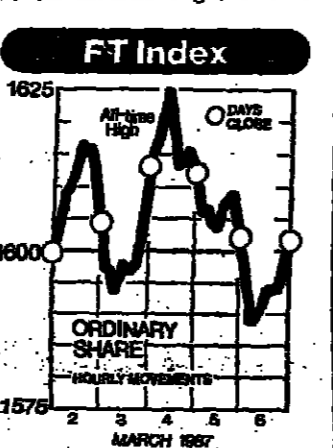
### Ladbroke in rights issue

LADBROKE GROUP is asking shareholders for £304m, in Britain's largest rights issue since last May, to fund the growth of its core businesses.

The group also announced that pre-tax profits had advanced 35 per cent to £101.3m last year on turnover 31 per cent higher. Back Page

### LUCAS CAV, the diesel fuel injection subsidiary of Lucas Industries, warned that its factory in Finchley, north London, might close with the loss of 500 jobs.

### UK EQUITIES: The FT Ordinary Share Index climbed from a high at the start of the week, although it eased somewhat during trading on Tuesday. On Wednesday the index hit an all-time high, but fell



toward the end of the week. On Wednesday also the FT-SE 100 index rose for the first time above the 2,000 mark, closing at 2,002.7, but it too eased towards the end of the week. London Stock Exchange, Page 13

### ROYAL ORDINANCE: Trafalgar House pulled out of the bidding to buy the state munitions business, leaving three companies still in contention. Royal Ordinance wins machine gun order, Page 6

### FRENCH Government is to study public telephone exchange equipment made by the leading international telecommunications groups bidding for CCCT, France's second largest public switch-making group. Page 2

### MARGARET THATCHER has intervened in the attempt by Cable and Wireless, the UK international telecommunications group, to enter the Japanese market, telling the Japanese Prime Minister the Japanese is as a test case of Japan's willingness to open up its markets. Back Page

### VAUXHALL MOTORS, UK car subsidiary of General Motors of the US, is to stop exporting cars to the Continent at the end of the month, only three months after it resumed following a seven-year break. Back Page

### LEYLAND: the British Government will have to find £590m to write off the accumulated debts and rationalisation costs of the former state-owned Leyland Truck and Leyland Bus companies, it was revealed in the Commons. Page 4

## New York Stock Exchange starts trading in insults

A TRANSATLANTIC war of words broke out yesterday over the New York Stock Exchange's decision to bar its member firms from trading on the London Stock Exchange in jointly-listed securities during the hours New York is open.

In London, the Stock Exchange called it New York counterpart "antidivulgence."

Back in New York, Mr Robert Birnbaum, the New York Exchange's president, cast doubt on whether the London market really counted as a stock exchange at all.

Referring to London's decision to close its trading floor and move over entirely to electronic trading next year, Mr Birnbaum said: "If the LSE doesn't want to be what a stock exchange looks like, feels like and smells like, that's their business."

"Who wants to look like, feel like and smell like something neanderthal?" came the riposte from London.

By closing the trading floor, London would not fit New York's description of what a stock exchange is, Mr Birnbaum said.

NYSE members trading in London shares listed in New York would therefore be operating "over the counter" and thus contravening NYSE rules if they did so while New York was open.

Some securities houses believe the main purpose of the rule is to restrict the competitive threat from more electronically advanced exchanges.

Nasdaq, the US over-the-counter market based in Washington, has been the New York's exchange's traditional competitor, but London is now also viewed as a potential rival.

Mr Birnbaum, however, insisted that New York's rules were needed for investor protection. "We think we have the best rules in the world and the best market in the world," New York's rules were for New York, not London, to interpret.

London pointed out that stock exchanges had to adapt to new technology. "Presumably at some time, New York started using the telephone. How did they cope with that?" it asked.

"Presumably he (Mr Birnbaum) goes to the shops in a pony and trap."

Mr Stanislas Yassukovich, chairman of the European arm of Merrill Lynch, the New York securities house, said the suggestion that investor protection was somehow inadequate was "a red herring" and "slightly insulting."

He said he thought New York's decision was influenced by fears that in the future foreign equity trading in London would grow rapidly.

"It would appear to be against the spirit of reciprocity now common in financial centres," he said. It would also put Merrill Lynch at a competitive disadvantage vis-a-vis other members of the LSE, such as the US commercial banks.

Continued on Back Page

## US and Soviet Union in arms breakthrough

BY ROGER MAUTHNER IN LONDON AND LIONEL BARBER IN WASHINGTON

THE SOVIET UNION and the US said yesterday that there had been a breakthrough in their arms negotiations in Geneva following Mr Mikhail Gorbachev's latest offer to reach a separate agreement on the elimination of medium-range missiles in Europe.

In a statement, President Reagan said: "The level, intensity and seriousness of the negotiations has brought us close to significant reductions in nuclear arms."

Mr Yuri Vorontsov, chief Soviet arms negotiator, told a news conference in Paris that he expected a treaty on intermediate nuclear forces (INF) to be ready for signature within three or four months following the latest round of talks in Geneva.

It was announced in Washington that Mr George Shultz, the US Secretary of State, would meet Mr Eduard Shevardnadze, his Soviet opposite number, in Moscow on April 13 to 16.

Mr Frank Carlucci, Mr Reagan's National Security Adviser, said that progress at the Moscow talks may make possible a summit meeting later this year between President Reagan and Mr Gorbachev.

The groundwork for an agreement on INF was laid at their abortive summit in Reykjavik last October. Final agreement on a sweeping arms control package was blocked at that time by Mr Gorbachev's insistence that it should be conditional on the acceptance by the US of curbs on its space-based defensive project, the Strategic Defence Initiative.

However, the Soviet leader's announcement last Saturday that he was prepared to abandon the linkage between cuts in medium-range weapons and curbs on SDI opened the door to a breakthrough in the Geneva negotiations.

After a meeting between President Reagan and his three top negotiators in Geneva at the White House yesterday, Mr Carlucci read out the statement from the President which said that he was "determined to maintain the momentum" of the arms talks and that was why Mr Shultz was being sent to Moscow.

Mr Max Kampelman, head of the US negotiating team in Geneva, said he believed that they had had "a good shot" at achieving an agreement and that substantial progress had been made in the talks.

However, a cautionary note was struck by Mr Maynard Giltman, leader of the INF negotiators, who said a lot of work still had to be done on verification procedures. He also stressed that any formal treaty

## Teachers vote to renew disruption

BY DAVID BRINDLE, LABOUR CORRESPONDENT

MEMBERS of the two main teachers' unions in England and Wales will begin another series of half-day strikes next week after voting four to one to resume disruptive action.

Leaders of the National Union of Teachers and the National Association of Schoolmasters / Union of Women Teachers said yesterday that disruption of state schools would continue indefinitely in protest at the Government's imposition of a pay and conditions settlement and abolition of direct pay negotiations.

Mr Kenneth Baker, Education Secretary, appealed to teachers last night not to be "misled into a return to harmful and futile disruption." He said only about one-third of the 400,000-strong profession had voted for more action.

"This proportion is almost certain to increase next week, however, when the third-biggest teaching union, the Assistant Masters and Mistresses' Association, concludes its ballot on a proposed half-day strike."

The ballot results declared yesterday meant a further extension of a pay dispute that began in April 1984. Since then, only one school term has been free of disruptive action by members of one or more of the unions.

The NUT and NAS/UMT had asked their members to "strike and take action short of a strike" in protest at the removal of negotiating rights, in imposition of a new employment contract.

Although votes were still being counted yesterday, the NUT said that by Thursday night 92,264 members (79.9 per cent of those starting a vote) had supported further action and 23,277 had voted against. Turnout was put provisionally at 62 per cent of the union's state-school membership.

The NAS/UMT, which had finished its count, said 54,462 members (85.4 per cent of those stating a view) had supported action and 9,319 had opposed it. Turnout was 57.8 per cent.

The two unions will call on all their members in state schools to stage a half-day strike in the next fortnight. The rolling programme of stoppages, coinciding with regional rallies, will be announced on Monday.

It has yet to be decided what action will follow the strikes, but Mr Fred Jarvis, NUT general secretary, said the unions would inevitably consider options of working to contract, refusing to cover for absent teachers and boycotting the first teacher performance appraisal schemes in six education authorities.

Mr Fred Smithies, NAS/UMT general secretary, warned of "very substantial long-running trouble in the schools." He said "Even at this late stage, I invite Mr Baker to read the signs set out before him and to decide he really must follow a different path in the interests of the pupils in the schools."

The unions will, however, be wary of action which would require members to break the new employment contract to be imposed by the Government, specifying for the first time a duty to cover for absence, attend parents' meetings and prepare reports on pupils.

They will also be conscious that the ballot turnout was somewhat lower than in corresponding votes previously and that there was a relatively high total of 791 spoiled ballot papers, with a further 2,291 NUT papers said to be "abstentions."

"This may reflect discontent with the open-ended nature of the question on the paper," Mr Baker said last night. "If Mr Clarke moves to heal rifts, Back Page

## Sterling at six-month high in pre-Budget confidence

BY JANET BUSH

STERLING ENDED yesterday at its highest level since last August, buoyed by confidence prior to the Budget on March 7 and by the Bank of England's insistence that it will not allow interest rates to be lowered yet.

The pound found consistent and heavy buying throughout last week and has risen by more than 4 per cent since the Paris accord between leading western nations to stabilise currencies on February 22.

Confidence spilled over into the UK Government bond market which saw prices rise a dramatic three points over the week as domestic and overseas investors took cheer from the strength of the exchange rate.

Sterling's trade-weighted index ended yesterday at 71.8, slightly down on the day's peak of 72.0 which was the highest level since August 19 last year, but still well up on Thursday's closing 71.4.

In London the pound surged more than 3 pennings to end at DM 2.9250 compared with Thursday's closing DM 2.8900. It even made ground against the US dollar, which was itself quite firm, to end at \$1.5900 from the previous close at \$1.5775.

The British authorities last week made strenuous efforts to damp down optimism pervading financial markets, but largely failed. They have been concerned not to allow market rises to get out of hand in the run-up to the Budget, partly to ensure a favourable response to the Chancellor's package.

The Bank of England repeatedly signalled to the domestic money market that it was not prepared to sanction a cut in base lending rates at this stage.

One sign that the Bank was concerned that the market was displaying a lack of control was its decision to carry out a spot-check late on Thursday into the books of discount houses.

The Bank normally runs these checks on a monthly basis but occasionally carries out extra precautionary checks if there is, for example, a suspicion that houses have been "overtrading."

In taking positions in both gilt-edged stock and bills, discount houses have to act within the limits of a complicated formula set out by the Bank. Unconfirmed reports were circulating yesterday that some houses may have traded outside these limits.

It is consistent with intense speculation of lower interest rates that discount houses should invest in short-term gilts and hold on to short maturity bills in substantial amounts in anticipation of base rate cuts.

The Bank's spot-check is believed to have been simply a function of its regulatory role during a volatile period in the markets rather than a further signal to discount houses to "cool off."

Money Markets, Page 13; Editorial Comment, Page 8

## Belgian groups in IC Gas offer

BY LUCY KELLAWAY

TWO OF Belgium's largest financial and industrial groups have launched a partial tender offer for Imperial Continental Gas in a surprise counter to a similar offer mounted on Monday by SHV, a private Dutch company.

Tractebel, one of Belgium's largest holding companies, and Groupe Bruxelles Lambert, international investment group, are offering to pay 710p per share, valuing the whole of IC Gas at slightly more than £1bn. This compares with the 700p offer valuing the company, at just less than £1bn, already on the table from SHV.

The Belgian companies have built a 14.95 per cent stake in IC Gas over the past year and are tendering for a further 14.3 per cent, to take their stake to 29.3 per cent.

Yesterday's offer caught both IC Gas and SHV by surprise. N M Rothschild, merchant bank and SHV's adviser, said it was too early to say how the company would react. IC Gas promised a statement on Monday.

Both offers were prompted by a plan, spelt out formally last Friday, to divide IC Gas into two, the Calor Group and Contibel Holdings, which will contain the IC Gas's Belgian investments.

Tractebel and the Groupe Bruxelles Lambert are primarily interested in obtaining a stake in the Belgian portfolio. Both companies are important investors in the same stocks that Contibel holds, and together they own 18 per cent of Petrolfin, the Belgian energy group, in which Contibel has a 7.9 per cent interest.

Mr Christopher Kemball of Dillon Read, investment bank and adviser to the Belgian companies said the tender was "pre-

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## WEEKEND FT



**SWAN LAKE**  
Next week, the Royal Ballet premieres a new production Swan Lake—which also marks Anthony Dowell's debut as artistic director. Page I

**FINANCE**  
Once-exclusive gold cards are now proliferating. But who are the best? Page VIII



**SMOKING**  
Smoking is increasingly regarded as anti-social, but giving up can be far from easy. Page XVII

**MOTORING**  
The Geneva Show has just opened, and with it comes the world's most costly car. Page XIX

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OVERSEAS NEWS

Swedes probe their own Irangate affair

THE SWEDES, ever sensitive to the opinions of the outside world, are beginning to wonder whether they have an Irangate style scandal on their hands.

For two years, customs and police have been investigating allegations that Bofors, and Nobel Chemicals, now part of Bofors, sold Iran a large number of missiles, explosives, and gunpowder to Iran, and other countries in the Middle East from 1979, in clear violation of Swedish law.

True, there is no evidence that the proceeds from arms sales were siphoned into the pockets of the Contras. The question people are asking, however, is to what extent members of the Swedish Government were involved.

The Swedish Peace and Arbitration Society (known as SPAS) which made the original claims that Bofors sold 70 missiles had been sold to Iran, Bahrain and Dubai via Singapore, has suggested that Mr Mats Hellstrom, the former Minister for Foreign Trade, must have known that Swedish arms were being smuggled to the Middle East, though Swedish law forbids arms exports to countries in areas of conflict.

Mr Hellstrom was Foreign Trade Minister from 1983 to 1986 and was therefore responsible for clearing arms export agreements. Political insiders have suggested that his surprise appointment as Minister of Agriculture last autumn was meant to move him out of the limelight.

Mr Bengt Westerberg, leader of the Liberal Party, has called for the Social Democrat government to set up a separate investigation into the role of ministers in the arms smuggling case.

Mr Sten Andersson, the Foreign Minister, has said he is willing to set up such an investigation. It is not clear whether past trade ministers ever questioned why Singapore was buying large quantities of arms from Sweden.

Prime Minister Mr Ingvar Carlsson has denied government involvement in the Nobel Affair.

There are four investigations going on. Customs officers recently completed a 600-page report on Nobel Chemicals, which is in the hands of the prosecutor, Mr Stig Åge.

Customs investigators claim that a Swedish arms dealer has supplied Iran with several thousand tonnes of gunpowder and explosives produced by Nobel Chemicals, Mulden Chemicals of Holland, and FRB of Belgium, among others.

A separate police investigation into whether Bofors sold its Robot 70 missiles to Iran has been delayed because of the death of Mr Carl-Fredrik Almqvist, the armsaments inspector who was responsible for liaising between the

Sara Webb reports on inquiries into arms sales to Iran and other Mideast nations

Mr Martin Ardo, managing director of Bofors Nobel Industries' ordnance division, yesterday resigned, writes Sara Webb.

Mr Ardo was quoted in the Swedish press as saying that the Swedish authorities responsible for dealing with arms export licences were aware of all of the company's activities in the Middle East. He was also named in the press as one of the chief suspects in the investigation.

Foreign Trade Minister and arms vendors.

Mr Almqvist died when he fell in front of a train in January. The Stockholm murder squad says it has found no evidence that he was murdered, but this has led some people to speculate that Mr Almqvist committed suicide.

He had been helping the police with their investigation into Bofors and was due to provide further information.

The armaments inspection office started an investigation into whether the number of missiles manufactured by Bofors tallied with the number of export orders and recorded sales to the Swedish armed forces.

Nobel Industries is due to present the results of an internal investigation next week. The group has chosen to remain silent during the course of the inquiries, but amid recent speculation that the arms smuggling affair was somehow linked to the murder of Prime Minister Olof Palme over a year ago, there has been pressure on both the government and the company to act.

Mr Anders Carlberg, managing director of Nobel Industries, said he could not guarantee that employees of Nobel Industries had not been involved in selling arms to Iran.

In fact, Nobel Industries has had close contact with Iranian officials over recent years. A Nobel subsidiary signed a contract during the Shah's regime to build a chemicals factory at Isfahan. After the Shah's fall, work was resumed at the factory and Nobel employees worked in Iran until autumn 1986 when the factory was completed. It was bombed during an Iraqi air attack.

A Nobel official said: "We had a lot of contact with Iran, both in Tehran and Karlskoga (the Swedish town where Nobel is based)."

UK NEWS

David Churchill explains how design skills have helped a leisure craze of the 1960s recover its popularity

Tenpin bowling strikes back with a sophisticated image

TENPIN BOWLING, the sports craze of the 1960s which fizzled out in the 1970s, is making a surprising comeback in the late 1980s.

The revival is spearheaded by baby boomers of the 1960s returning nostalgically to the bowling alleys of their youth, and this time bringing their families.

There has also been a rediscovery of tenpin bowling by today's teenagers and young adults eager to find new places to socialise, and the alleys have capitalised on the fitness craze.

"The revival started about a year ago for us and took us all a bit by surprise," says Mr Ian Freeman, marketing manager for the First Leisure Group which has five alleys in the UK. First Leisure's bowling operation has experienced a 20 per cent increase in turnover during the past year.

AMF Bowling, the largest UK operator with 17 alleys, reports a 25 per cent increase in turnover in the past three years. "The popularity of tenpin bowling is now becoming as good, or better, than it was during the 1960s," argues Mr Brian North, AMF's managing director.



Bowled over: youngsters flock back to the newlook bowling alleys, now boasting such accessories as automatic scoring machines

The British Tenpin Bowling Association, the sport's governing body, now has 40,000 members who bowl on an organised basis compared with a low of 8,000 in 1970. More important, there are now at least 500,000 players who bowl regularly.

At its peak, there were more than 200 tenpin bowling alleys in the UK, mainly converted cinemas. This slumped to just under 60 during the 1970s and

has since declined to about 50, including eight operated by the US Air Force.

But the alleys that remain are a far cry from those of the 1960s.

Tenpin bowling first came to Britain with the US armed forces during the last war. But it became a commercial proposition in 1980 when a cinema at Stamford Hill, London, was converted into a 14-lane bowling alley.

Falling cinema attendances encouraged other cinema owners to convert to bowling alleys—but with little thought about the long-term consequences of cashing in quickly on the boom.

"In the US bowling was young America; it was rock 'n' roll. In Britain, it just became seedy," says Mr Harold Silverman, a design expert whose company, Marketplace Design, has become a major force in refurbishing bowling alleys.

About three years ago AMF decided it had to do something about the bowling alleys it had acquired during the 1970s. AMF, a subsidiary of a US company, had for many years been a leading supplier of bowling alley equipment. When its customers started going out of business, it was forced into taking them over to recover debts.

Beecham claims patent rights on Glaxo's anti-vomiting drug

BY TONY JACKSON

BEECHAM, the UK drug company, said yesterday it was developing a drug against migraine and vomiting and claimed it had patent rights restricting the use of a similar drug being developed by another UK drug company, Glaxo.

The Beecham drug, code-named BRL43894, belongs to a new class of drugs called 5-HT3 antagonists.

Glaxo's announcement last December that it was developing a drug of this type was the main reason for a rapid rise of 15 per cent in the price of its shares, adding almost £1bn to the group's stock market value.

Beecham's drug, which will be presented to a meeting of the British Pharmacological Society on April 8, is in the early stages of clinical trials.

It is being tested for use against migraine and vomiting, whereas the Glaxo drug—at a similar stage of development—is being tested for use against anxiety, schizophrenia and vomiting.

Both drugs are expected to be used with cancer drugs, many of which cause vomiting as a side effect.

Beecham said: "Our drug is different from Glaxo's as a chemical entity and we were the first to notice its anti-emetic activity. We have applied for a patent which covers Glaxo's product for use in cancer chemotherapy."

Glaxo said: "We feel we are covered in this situation. We have a prior claim for anti-emetic utility."

Mr Ian White, of Greenwell Montagu, the stockbroker, said: "The Glaxo patent covers gastric stasis, symptoms of

Disclosure on Guinness 'inadequate'

LAWYERS REPRESENTING Guinness claim they have not been given full details about the payment of £5.2m to Marketing and Acquisition Consultants, a Jersey company, allegedly as part of an illegal share support scheme at the time of the Distillers takeover battle.

In Jersey's Royal Court yesterday, the Guinness lawyers said that Marketing and Acquisition Consultants and Mr Michael De, its Jersey director, who were said to have been paid the money on the orders of Mr Ernest Saunders, former chief executive of Guinness, and made "some form of disclosure."

Troubled private shipyard aims for refinancing deal

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BROOKE MARINE, the Lowestoft naval shipyard privatised two years ago, is negotiating a refinancing deal to overcome a severe shortage of orders.

Mr Fred Henderson, the managing director, is understood to have had extensive talks with financial institutions in London this week, and a formal announcement is expected next Wednesday.

Mr Ramsey Ross, the company secretary, said there was no truth in rumours that Brooke Marine was on the point of closure.

Mr Ross confirmed that the company had experienced problems in attracting both orders and risk capital. He would not say whether the refinancing deal would lead to an outside company taking an equity stake.

"We are trying to keep it as quiet as possible. We believe

NBC sells off further nine subsidiaries

By Our Transport Correspondent

THE National Bus Company has sold another nine of 70 subsidiary companies put up for sale by the Government as part of its privatisation programme.

A total of 28 subsidiaries have been privatised since sales began early last year. The latest mark a rapid acceleration in disposals since the beginning of this year.

They include eight engineering companies as a group to Frontsource, an outside buyer chaired by Mr Robert Beattie.

Mr Beattie was at the centre of a Parliamentary row late last year when Labour MPs claimed a bid had been made with the advantage of information gained while working as a consultant for NBC. The allegations were dismissed by Mr John Moore, the Transport Secretary, after an inquiry.

Administrators appointed to investment dealing firm

BY ERIC SHORT

MR RICHARD FLOYD and Mr Austin Alleyne, partners in Floyd Harris Bradley-Hole, the insolvent department of Moore and Rowland, the chartered accountant, have been appointed by the High Court as joint administrators of Financial Management Services, the troubled investment dealing firm.

FMS applied to the court for the appointment of an administrator under the 1986 Insolvency Act.

FMS was formed in Nottingham last year and also has offices in London. One of its specialities was offering a service through media advertisements to shareholders in the recent equity issues, including TSB, British Gas and British Airways.

Last December, the Financial Intermediaries, Managers and

Ex-Rumasa head fined

MR JOSE Ruiz Mateos, former head of the Rumasa group, the banking and industrial conglomerate, expropriated by the Spanish Government after its collapse four years ago, was fined £5,000 in the High Court in London yesterday.

Mr Justice Knox found that Mr Mateos, who was not in court, had failed to comply with the High Court orders requiring him to withdraw applications to register the Dr Sack sherry trade mark in the US and other parts of the world.

Last May, Williams and Humbert, the sherry shippers, regained ownership of the Sack mark, which had been transferred to W and H Trade Marks (Jersey), another of Mateos's companies.

Yesterday's applications were primarily for an order compelling Mr Mateos to prison.

However, the judge said that although it was clear that Mateos, who lives in Spain, was in contempt of the court order, a committal order against him was unlikely to be effective.

Palme inquiry criticised

MR HANS HOLMER's decision on Thursday evening to leave his job as head of the Stockholm police force and "advise" the investigation into the murder of Mr Olof Palme, the Swedish Prime Minister, has opened the door to further criticism of the way the year-long investigation has been conducted.

Mr Holmer was replaced as head of the police investigation last month when friction between the police and prosecutors forced the government to intervene and reorganise the investigation.

"My misgivings over the new investigation have been borne out. It's not working, so I'm leaving," said Mr Holmer. He claims that over the last month the hunt has been hampered by bureaucracy.

He has been seething at the suggestions to hypnotise Mr Palme's widow, Lisbet, and offer a reward for information.

He has also criticised the old organisation, saying that the prosecutors wanted to treat the murder hunt as a routine investigation.

UN envoy denies Afghan peace talks breakdown

BY WILLIAM DULFOURCE IN GENEVA

THE United Nations mediator at indirect peace talks in Geneva between Pakistan and Afghanistan yesterday denied that the negotiations had broken down.

Mr Diego Cordovez acknowledged, however, that there was still a tremendous distrust and suspicion.

The talks are due to resume on Monday with a fresh proposal for the withdrawal of 115,000 Soviet troops fighting the Mujahedin guerrillas, the only obstacle to a settlement of the seven-year conflict, Mr Cordovez said.

Three elements of a settlement have been agreed: a Pakistan-Afghan accord on non-interference and non-intervention; provision for the voluntary return of millions of Afghan refugees; and declarations by

European radar aircraft launched

BY LYNTON McLAIN

THE LATEST European early warning radar aircraft, the Anglo-Swiss AEW Defender, made on the Isle of Wight, was launched yesterday by Lord Trefgarne, the Minister of State for Defence Procurement.

Lord Trefgarne told senior management of Pilatus Britten-Norman, which made the aircraft, and Thorn EMI Electronics, which developed the Sky-master radar, that the Ministry of Defence had no need of such a system.

Nevertheless, he said it was "a major contender in the airborne early warning markets of the world." The aircraft is ready for a foreign sales tour.

The AEW Defender system costs between £5.5m and £10m depending on equipment, less than a 10th of the cost of a Boeing E3 Awacs early warning aircraft.

The AEW Defender's radar can seek targets at high and low altitude and can be used for maritime surveillance, a combination that not even Awacs can offer, according to the partners.

Britain ordered six Awacs aircraft in December for a total of £580m including spares, after Lord Trefgarne and Mr George Younger, the Defence Secretary, cancelled the troubled GEC Nimrod AEW aircraft.

The AEW Defender brings together in a private joint venture a version of the



Defence minister Lord Trefgarne at the console of the Sky-master radar, with John Hakes, managing director of Thorn EMI Electronics (centre) and Leslie Appleton, chairman of Pilatus Britten-Norman

Security restrictions imposed by the Defence Ministry on the export of Searchwater—so far it has been sold only to Spain, with India a possible customer—led Thorn EMI to develop the Sky-master version using highly secure computer software for processing the radar signals.

The aim was to find a way of selling a modified version of the proven Searchwater system to nations that could not afford, nor had any need for, an early warning system as expensive and as comprehensive as Awacs.

The partners also hope to interest countries or alliances which already have Boeing Awacs radar coverage, in the Defender as a "second tier."

Mr John Hakes, managing director of Thorn EMI Electronics, said there was a "very large potential market for the low-cost airborne surveillance capability of the AEW Defender." This could involve between 110 and 200 aircraft.

"We are first in the market with this type of low cost AEW radar and are the only company outside the US with a modern airborne early warning system," he said.

The original Britten-Norman company went into liquidation in 1978 and its assets were taken over by Pilatus Aircraft of Switzerland, a member of the Oerlikon Bührle group.

Kampuchea peace move

BY JOHN MURRAY BROWN IN JAKARTA

THE SOVIET UNION is to propose a new time table for the withdrawal of Vietnamese troops from Kampuchea to breathe life into stalled peace negotiations.

The plan, advancing the 1990 deadline set by the Soviet-backed Hanoi Government for the withdrawal of its 140,000 troops in neighbouring Kampuchea, was reportedly relayed to Indonesian officials this week by Mr Natwar Singh, the Indian

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UK NEWS-LABOUR

NHS building workers to stage strikes over pay

BY PHILIP BASSETT, LABOUR EDITOR

NATIONAL Health Service building workers are to begin short strikes at selected hospitals from tomorrow night following the breakdown of pay talks.

Negotiations between the building workers' union Ucat and the main union representing the 8,500 employees involved, and Department of Health and Social Security management ended yesterday with the union announcing a programme of action.

This may include an overtime ban, withdrawal of co-operation with contractors, strict enforcement of safety regulations and ending inter-trade flexibility.

Individual hospitals based in different Ucat regions have also been identified by the union for short strikes. The union said the strikes were intended mainly to be demonstrative.

Union negotiators want to avoid placing patients in difficulty and recognise that the impact of any action is not likely to be immediate, but cumulative.

Mr Alan Black, Ucat national officer, said after yesterday's talks: "We went to this meeting determined to avoid industrial action in the NHS. When our members take action as from next week the public will know that the fault lies with our uncaring and discriminatory employers."

Ucat, and the two other unions representing hospital building workers, the TGWU and the GMBU, said the DHSS offer, rejected last October and followed by a ballot on industrial action, would create a 23-a-week differential between electricians and other craft workers.

Ucat said it had offered compromises at yesterday's talks. They included putting into basic rates some of an outstanding £235 retrospective payment or spreading a deal over 15 months. However, these had been rejected by DHSS management, the union said.

The DHSS said the talks had explored modifying the offer, but this had been rejected by the union.

The union pressed for officials of the conciliation service Acas, which has been monitoring the position, to attend yesterday's talks, but the DHSS refused.

The DHSS said yesterday it was willing to meet the unions again. Acas is likely next week to investigate the scope for intervention.

The department is to advise health authorities they can choose how to respond to any strike action.

Labour 'will change way of counting unemployed'

By Our Labour Editor

A FUTURE Labour Government would take steps to restore the credibility of official unemployment figures, Mr John Prescott, Labour's employment spokesman, said yesterday.

Speaking at a Labour Co-ordinating Committee rally in Sheffield, Mr Prescott said "supposedly impartial" official figures had been "manipulated to such an extent that they are now little more than Government propaganda."

But a future Labour Government would restore the statistics' credibility, Labour would, shortly after taking office, publish a Green Paper "with proposals to make Government figures more honest and accurate," Mr Prescott said.

"We want to establish a consensus which is consistent with international standards," he said. The proposals would include the introduction of a more regular labour force survey together with the current count, based on those claiming benefit, aimed at showing precisely how many people are employed and unemployed.

Though he did not say Labour would revert to the previous way unemployment figures were calculated — based on those registering as available for work — he said Labour would expand the Jobcentre network to "encourage unemployed people to register for work, as they had to do before 1982."

He said those without jobs would be given an incentive to register, because the jobs to be created by a future Labour Government, mainly in the public sector, would initially be advertised only in Jobcentres.

QE2 crew acts against union

BY JIMMY BURNS, LABOUR STAFF

EMPLOYEES of the Cunard cruiser QE2 have instituted legal proceedings in the High Court against the National Union of Seamen after claiming unfair dismissal from the union.

Confirmation of the move came yesterday as representatives of the cruiser's 609 crew met senior management of Cunard in London to seek urgent clarification of the company's plans for revised crewing arrangements.

Cunard yesterday said that one subject being negotiated with the leadership of the NUS was the setting up of an offshore crewing agency in Jersey.

However, dissident NUS members are claiming that their union acted unlawfully by expelling them after they had accepted an earlier offer of severance pay from Cunard. The dissidents balloted on the offer in defiance of a union instruction.

It was not clear yesterday whether the offer still stood in the light of negotiations between the company and the union.

However, the dissidents, still technically employed by Cunard, fear that the setting up of the employment agency will lose them many social benefits.

Under the draft plan, the Jersey agency would act as a pilot scheme for the industry, gradually replacing the Merchant Navy Establishment, the unionised labour supply arrangement regulated by the NUS and the General Council of British Shipping.

Civil servants prepare anti-racism policy

BY HELEN HAGUE

THE CIVIL and Public Services Association, Britain's largest civil service union, has prepared proposals for an anti-racism policy to combat discrimination at the workplace and within the union.

The proposals, drafted by the unions' anti-racism working group, will be debated at the CPSSA annual conference in May, with the leadership recommending acceptance.

A key proposal is the setting up of race relations advisory committees at all levels within the 149,000-strong union.

A national committee will be mirrored by others at group, branch and department section level.

Under the proposals, an officer with special responsibility for race relations would be appointed by the union's general secretary. Duties would include servicing the national

race relations advisory committee.

This committee would examine the results of ethnic monitoring, which many departments will complete by the end of the year, and would recommend how the data-base could be improved.

The union also proposes monitoring promotion and recruitment of ethnic minorities and reviewing departmental training procedures to eradicate discrimination.

Tass warning on radar jobs

By Our Labour Staff

TASS, the manufacturing union, warned yesterday that thousands of jobs and a large sector of Britain's advanced technology capacity could be threatened if US companies were allowed to provide advanced radar equipment for the planned European Fighter Aircraft.

The union said that the American attempts, in direct competition with Ferranti in Scotland, should be resisted.

TREND OF INDUSTRIAL PROFIT ANALYSIS OF 92 COMPANIES

INDUSTRY	No. of Co's	Turnover	Profits before tax	Pre-tax profits	% change	Tax	Profits after tax	% change	Div. dividends	% change	Cash flow	% change	Net Capital Employed	% change	Net Return on Capital	% change
BUILDING MATERIALS	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
CONTRACTING	6	79.1	117.5	22.2	+95.7	27.5	53.4	+126.3	27.0	+25.0	37.5	+25.0	37.5	+25.0	37.5	+25.0
ELECTRICALS	4	197.5	22.1	19.7	-4.4	7.4	11.4	-10.9	5.4	+14.9	10.7	+14.9	10.7	+14.9	10.7	+14.9
ELECTRONICS	7	68.3	122.2	12.1	+95.3	36.9	73.6	+105.1	9.2	+49.2	33.1	+49.2	33.1	+49.2	33.1	+49.2
MECHANICAL ENGINEERING	4	800.5	53.0	40.9	+10.2	13.6	26.1	+15.0	9.2	+2.2	34.2	+2.2	34.2	+2.2	34.2	+2.2
METALS AND METAL FORMING	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
MOTORS	1	126.9	10.2	4.5	+44.4	0.3	6.2	+44.2	1.4	+133.3	7.6	+133.3	7.6	+133.3	7.6	+133.3
OTHER INDUSTRIAL	2	49.1	11.4	9.6	+24.7	2.8	6.8	+28.3	1.5	+25.0	3.7	+25.0	3.7	+25.0	3.7	+25.0
TOTAL CAPITAL GOODS	26	2,811.4	336.4	271.0	+40.1	61.4	177.5	+69.7	53.9	+24.2	179.8	+24.2	179.8	+24.2	179.8	+24.2
BREWERS AND DISTILLERS	4	1,119.3	127.9	104.4	+13.6	34.6	65.8	+8.1	26.3	+14.4	69.9	+14.4	69.9	+14.4	69.9	+14.4
FOOD MANUFACTURING	2	3,371.2	149.4	95.2	+16.8	28.9	51.1	+12.7	33.7	+27.7	63.8	+27.7	63.8	+27.7	63.8	+27.7
FOOD RETAILING	4	6,045.2	306.7	278.5	—	84.1	194.1	+49.2	88.0	+61.5	175.7	+61.5	175.7	+61.5	175.7	+61.5
HEALTH AND WELFARE PRODUCTS	2	1,440.1	635.4	627.4	+54.0	212.7	413.7	+46.7	104.2	+39.9	352.8	+39.9	352.8	+39.9	352.8	+39.9
LEISURE	2	142.4	14.7	12.8	+117.0	2.6	3.0	+180.0	1.0	+80.0	16.2	+80.0	16.2	+80.0	16.2	+80.0
PUBLISHING AND PRINTING	1	101.4	10.3	10.2	+30.8	0.1	4.2	+45.2	2.3	+35.3	6.6	+35.3	6.6	+35.3	6.6	+35.3
PACKAGING AND PAPER	1	38.4	6.3	6.2	+520.0	2.4	3.8	+533.3	2.4	+300.0	6.1	+300.0	6.1	+300.0	6.1	+300.0
STORES	3	2,269.8	151.4	131.1	+58.5	4.7	89.9	+64.2	23.1	+55.0	93.0	+55.0	93.0	+55.0	93.0	+55.0
TEXTILES	2	127.5	12.7	10.8	+2.9	3.8	6.9	+1.5	2.6	-3.7	8.6	-3.7	8.6	-3.7	8.6	-3.7
TOBACCOS	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
TOTAL CONSUMER GROUP	21	14,655.5	1,414.8	1,276.6	+32.0	388.2	638.3	+42.3	284.4	+42.7	789.2	+42.7	789.2	+42.7	789.2	+42.7
CHEMICALS	1	91.9	4.4	3.6	+5.6	1.4	2.4	+26.3	1.2	+20.0	7.1	+20.0	7.1	+20.0	7.1	+20.0
OFFICE EQUIPMENT	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
SHIPPING AND TRANSPORT	1	25.3	7.7	2.7	+68.8	—	2.4	+100.0	0.5	—	5.9	—	5.9	—	5.9	—
MISCELLANEOUS	5	630.3	67.9	51.4	+43.6	21.2	38.6	+39.5	13.0	+103.1	26.0	+103.1	26.0	+103.1	26.0	+103.1
TOTAL INDUSTRIAL GROUP	54	20,234.4	1,993.3	1,605.5	+36.4	301.5	1,099.2	+46.2	353.0	+41.1	1,013.0	+41.1	1,013.0	+41.1	1,013.0	+41.1
BANKS	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
INSURANCE (LIFE)	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
INSURANCE (COMPOSITE)	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
INSURANCE BROKERS	—	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
MERCHANT BANKS	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
PROPERTY	13	—	117.7	76.8	+23.5	25.3	50.9	+28.9	21.2	+17.8	31.5	+17.8	31.5	+17.8	31.5	+17.8
OTHER FINANCIAL	4	—	25.3	12.3	+46.2	47.3	75.2	+36.0	24.5	+21.9	49.2	+21.9	49.2	+21.9	49.2	+21.9
TOTAL FINANCIAL GROUP	18	—	402.8	201.1	+36.6	72.6	128.0	+32.9	46.3	+19.6	94.6	+19.6	94.6	+19.6	94.6	+19.6
INVESTMENT TRUSTS	18	—	85.7	72.1	+11.1	23.9	47.8	+14.9	44.0	+14.0	4.7	+14.0	4.7	+14.0	4.7	+14.0
MINING FINANCE	1	1,112.2	1,109.8	1,109.8	-3.5	38.6	72.5	-24.3	61.8	+0.2	61.8	+0.2	61.8	+0.2	61.8	+0.2
OVERSEAS TRADERS	1	241.7	57.1	50.8	+17.9	21.5	28.3	+26.3	3.1	+10.7	30.5	+10.7	30.5	+10.7	30.5	+10.7

NOTES ON COMPILATION OF THE TABLE

The classification is that of the Institute and Faculty of Actuaries used in the daily Financial Times —

Col. 1 gives turnover, exclusive of VAT unless otherwise indicated.

Col. 2 gives profits before interest and taxation, that is to say profits after all charges except loan and other interest but before deducting taxation provisions and minority interests.

Col. 3 gives pre-tax profits, that is to say profits after all charges including debenture and loan interest but before deducting taxation provisions and minority interests.

Col. 4 gives all corporation tax including Domestic, Colonial and Foreign liability and future tax provisions (an excluding adjustments relating to previous years).

Col. 5 gives the net profits according to equity capital after meeting —

1— minority interests.

2— all prior charges—sinking fund payments, etc. and preference dividends and

3— provisions for staff and employees pension funds where this is a standard annual charge against net revenue.

Col. 6 sets out the net cost of dividend on equity capital.

Col. 7 is the capital generated internally over a year's trading. For the purposes of comparison equity earnings plus depreciation less equity dividends is the recognised method of compiling this figure.

Col. 8 constitutes the total net capital employed. This is the total of net fixed assets—excluding intangibles such as goodwill—plus current assets

Col. 9 represents the net return on capital employed. Col. 2 as a percentage of Col. 8 is an indication of average profitability.

Col. 10 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

Col. 11 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

Col. 12 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

Col. 13 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

Col. 14 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

Col. 15 net current assets are arrived at by subtracting of current liabilities and provisions from current assets.

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Saturday March 7 1987

## Now see who's competitive

THE RIG, economy-wide figures do not always tell the really interesting story. For both the US and the UK, the national statistics are mixed at best—flat retail sales and a car mini-slump in the US, a faltering retail boom and weak historic output figures in the UK, and a weak balance of payments picture for both countries.

Some of the details, however, suggest a very different picture to come. In the UK, for example, domestic sales of home-built cars are more than 25 per cent above their level in the same period in 1986. Against that background, the steady trickle of good employment news from the industry is only what might be expected. In the US, one major company, Ford, is performing very strongly in a generally weak market. Efficient companies can take rapid advantage of a favourable shift in exchange rates, though others may take much longer.

What proportion of companies really is efficient? This can only be guessed with the aid of economy-wide figures, but the kind of figures which suggest what is likely to happen in the near future rather than providing a guestimate of the recent past. The industrial opinion surveys in the UK, which seem to get steadily more buoyant every month, have been widely publicised.

The purchasing manager surveys in the US, which provide a somewhat similar ear-to-the-ground impression, are less widely known; they too have turned strongly positive in the first weeks of 1987. The purchasing managers do not seem to be such reliable forecasters as the CBI membership, but their impression was quite strongly confirmed in the US employment figures yesterday.

Employment is rising strongly again, and so now is overtime working in the US manufacturing sector. This has inspired some Wall Street forecasters to guess that output growth is already rising rapidly, and that rising earnings will soon cause the consumer market to revive.

## Turning point

These developments ought not to be surprising, for they are exactly what economic theory would suggest; but the science of economics is in such poor repute at the moment that much comment is emotional rather than analytical. More attention is paid to talk of de-industrialisation or nations in decadence than to a rational discussion of the level of exchange rates or the stance of fiscal and monetary policy.

Since we do now seem to have arrived at something of an international turning point, the lagged consequence of a major realignment of exchange rates, it is worth reviewing

what economic theory has to offer.

The first point to grasp is that the economic importance of the exchange rate is not really what it means for the comparative cost of a basket of goods, or a hotel room, in different countries, nor is it concerned simply with the current account of the balance of payments. This was recognised by the architects of the Bretton Woods system of semi-fixed exchange rates. They said that over-valuation or under-valuation could be judged by looking at the basic balance of payments, which is a combination of current settlements and voluntary long-term investment flows.

The Bretton Woods system was not in principle very different from our present floating system, though it worked much more smoothly in practice. It tended to sound the alarms not when a country had a weak current account but when it had a weak currency.

That could well arise—as it did for a long time for the UK—because international investors found the country unattractive. There was a semi-permanent sterling crisis, although the current account was near balance. By contrast, promising countries could attract capital, and run large, trouble-free current account deficits for a long period.

## Time lag

The US and the UK now seem to be in this position. This is the result of both the devaluation of their currencies and of the previous phase of "de-industrialisation" (which is simply an emotional phrase for a serious competitive squeeze). The combination works powerfully; profits are easier to earn, but managements and their workforces have had to learn efficient habits during the period when profits practically vanished.

There are costs to be borne for achieving competitiveness in this way, as English-speaking holidaymakers will learn this year if they take their holidays abroad. This is a much more telling demonstration of economic law than simply reading the league tables for per capita GDP. The effect on the current account of the balance of payments, a figure which attracts a great deal more attention than it deserves, may become apparent only after a time lag of years rather than months—especially if governments wait for the exchange rate change to put the balance right unaided. But the effect both on growth prospects and on profits is quick and unambiguous. That will be worth remembering when the current euphoria in the equity markets boils over.

As the week progressed he reached out to all parts of the

THE American people's continuing fund of goodwill towards their beleaguered President was in evidence again this week.

In the wake of a televised address to the nation in which Mr Reagan as good as admitted that he had not been paying attention to his officials launched their dubious diplomatic initiative towards Iran, opinion polls showed that public approval of the President had jumped by fully 10 percentage points from the four-year lows struck last weekend after the publication of the damning Tower Commission report into the Iran-Contra arms scandal.

Much as this turnaround will delight Mr Howard Baker, the newly installed White House Chief of Staff, few in Washington believe that Ronald Reagan can ever again be the commanding political figure he was in the first six years of his presidency.

As Mr Reagan escapes to his Camp David retreat in the Maryland mountains this weekend, where President Jimmy Carter retreated before telling his countrymen in 1979 that the United States was suffering from a "malaise," he leaves behind a Washington seething with speculation.

How, his political friends and rivals are asking, will the continuing shake up of personnel at the White House alter the political calculations on such issues as the Federal budget deficit, economic policy, relations with the Soviet Union and prospects for the 1988 elections?

That there will be changes is not in doubt; indeed there already have been. With a flair for political timing which will serve as yet another warning to those in Washington who still underestimate him, Mr Mikhail Gorbachev, the Soviet leader chose the weekend following the publication of the Tower Commission report, when the White House was reeling in disarray, to launch a bold new arms control initiative.

To sceptics in Washington who see arms control as a dangerous snare and a delusion, Mr Reagan's speech counter-proposal confirmed their worst fears. A weakened President, it is suggested, is swallowing Soviet bait in pursuit of a foreign policy "triumph."

Arms control is a particularly tricky issue for the President and his new Chief of Staff, former Senator Howard Baker. The subject has already divided the Defence Department and the State Department, caused tension in the Western alliance, and could yet divide and weaken a Republican party whose conservative wing worries that arms talks could be a step on to a slippery slope towards a more accommodative approach to Moscow on issues ranging from regional conflicts in Afghanistan and Central America to the "Star Wars" strategic defence initiative.

It is on this issue above all that Mr Baker's reputation will be forged. Some on the right worry that his voting record on conservative issues, coupled with his natural inclination to conciliate and build coalitions in order to get things done, will further dilute the conservative thrust of the Reagan presidency.

The chunky 61-year-old Baker has already had a positive impact on the White House, bringing to an institution which had been engaged in a dour struggle with the Congress and the press a badly needed touch of openness.

As the week progressed he reached out to all parts of the

## Baker to the rescue, perhaps

By Stewart Fleming, US Editor in Washington

political spectrum in order to try to rebuild the White House's credibility and forge alliances to get the presidency actively involved again in Washington's political life.

That Mr Baker could play a major role in shaping the last two years of Mr Reagan's presidency is not in doubt. Indeed one judgment being offered on Capitol Hill is that his decision to eschew a long-shot run for the Republican Party's presidential nomination in 1988 was a political gamble which may pay off personally. If he helps to revive Mr Reagan's prestige, Mr Baker could transform himself into "the wonder boy of American politics," says Rep Henry Hyde.

But what are the chances that he will be able to improve Mr Reagan's position beyond the short term boost to his fortunes which the polls are already reflecting in the wake of his speech?

Much will depend on how he restructures the White House decision-making process. The Tower Commission exposed to public view a White House in which an absent-without-leave Ronald Reagan was displaying so little interest in the business of governing that he did not visit decisions he was making on Middle East policy, and judging from the Reykjavik summit, on US-Soviet relations.

Many put the blame for this squarely on his advisers, in particular Mr Donald Regan, the White House Chief of Staff, who cut the President off from the range of options he had been exposed to when Mr James Baker (the current Treasury Secretary) was Chief of Staff.

By pandering to Mr Reagan's intellectual indolence and encouraging his passivity, Mr Regan enhanced his own power, and it would appear, on some issues turned Mr Reagan into a puppet President who was not even exercising the broad instinctive judgment which admirers say is his strength.

It is too much to expect that Mr Reagan at his age, and in less than robust good health

after his prostate operation, can change the work habits of a lifetime, whatever friends such as Senator Paul Laxalt say.

But Mr Baker could, as Chief of Staff, set up a decision-making process to compensate for the President's weaknesses, just as the White House team in the first Reagan Administration did, making sure the President is forced to concentrate upon at least a narrow range of key issues and decide on realistic alternatives.

If Mr Baker does this and, working with other members of the Administration, brings his own skills as a legislative tactician to bear, the White House could again become a vigorous participant in the work of the Democratically-controlled Congress.

Where this participation might lead is another question. There is every reason to believe that arms control opponents in Washington now face a daunting task if they are to block the momentum which seems to be building towards an arms control agreement with Moscow.

Mr Baker's known predilections, Moscow's evident interest in moving the arms control process forward, a majority on Capitol Hill which seems to favour curbing a costly defence build-up, all suggest that the prospects for a Washington summit have improved significantly in the past 10 days. Mr George Shultz, the Secretary of State, will be much relieved if it provides him with an agenda at a time when he, too, has had to absorb some bruising criticism. It was announced yesterday that Mr Shultz will visit Moscow next month.

It is not just on strategic issues, however, that Mr Baker is expected to bring a less confrontational and non-ideological twist to Reagan Administration policy. The Federal Reserve Board official remarked that hands were raw with clapping at the central bank when news of Mr Reagan's departure broke. Mr Baker gets on well with Mr Volcker.

The change means that there will not be a White House

## Man in the News: Ronald Reagan



vendetta in the early summer to try to prevent Mr Volcker's re-appointment in August. Mr Volcker may or may not want to take the job again. If he does not, at least a smooth transition to a respected successor can be anticipated.

Republican conservatives fear, probably with justification, that in the weeks ahead the new Chief of Staff will move decisively to tackle the issue of the Federal budget deficit, and in order to get the deficit on a firmly declining trend conceded more openly than the President has been willing to. That some form of tax increase is a necessary ingredient of a rational fiscal policy.

For his part, Mr Baker will have great care not to be perceived as setting up some form of regency at the White House. Mr Baker has only to remember how Mrs Nancy Reagan reacted to this sort of behaviour by Mr Donald Regan; nor can he afford to ignore the conservative right, which is stronger in the rank and file of the Republican party than it is in Washington.

Even among the ranks of the conservatives, however, there are those who share the Washington consensus that Mr Baker's appointment was an

inspired political move, prompted by Mr Laxalt and Mrs Reagan. A reinvigorated Ronald Reagan, says Mr Stuart Butler of the Heritage Foundation, a conservative Washington think tank, can frame the debate on conservative issues.

This may be wishful thinking. Mr David Smick, a Washington political consultant, points out that a "lame duck" President who cannot stand for re-election in 1988 faces, even without Iran-Contra, an inevitable decline in his political influence. With no presidential political agenda the Democrats are perceived in Washington to have the initiative on Capitol Hill. "The Democrats are now seen to be the party of ideas," says Mr Smick.

Nor can the potential for new misfortunes to strike the President be dismissed. The US economy scarcely has a rosy glow of health, American bankers are threatened by a renewal of tensions over the Third World debt crisis, the trade deficit shows little sign of declining and inflation could accelerate to the point where the Fed has to tighten credit. The unresolved issues of the Iran-Contra affair, in particular the paper chase now underway to try to discover into whose pockets the profits from the

Iranian arms deal went, will occupy Congress (and the President) for months to come.

The President's critics are already charging that, in spite of a good speech on Wednesday night, Mr Reagan ducked the issue of his own past "misstatements" his forgetfulness about when he approved the arms deal, and the apparent "cover up" at the White House when the Iran scandal first broke. Should it emerge in the public hearings that he is still being less than forthright, the President's greatest political asset, the personal affection many Americans feel for him, will not be enough to pull him through.

It is then by no means certain that the President will serve out his term with dignity, although his chances have improved significantly. The Republican party, which must defend its diminished representation in Congress, must hope that former Republican Senator, Howard Baker, will be able to build on the foundations he and Mr Reagan laid this week. If Mr Baker fails, he and Mr Reagan may well consign the Republicans to a lengthy period in the political wilderness.

## In Papua New Guinea's misty highlands, armed tribesmen and Australian mining

executives join in a 20th-century gold rush

## A war dance at the golden mountain

By Stefan Wagstyl

THE PEOPLE of Porgera in the Central Highlands of Papua New Guinea, did not know the value of gold until the white man came to their valley. Now they have discovered it with a vengeance.

As the miners drill into the flanks of Mount Waruwari to test one of the biggest gold deposits discovered since the Second World War, scores of highlanders have joined the hunt, scrambling over piles of rock hauled out of the mountain to extract gleaming traces of gold. In one recent week, a lucky villager earned 40,000 kina (nearly £30,000).

The three Australian mining companies which control the deposit say they could construct a mine to be in production by 1991, although they have yet to commit themselves finally to an investment of perhaps \$400m (£259.3m). Placer Pacific, the operating company, and its partners, Benison Goldfields Consolidated and MIM Holdings expect to start negotiating a mine development agreement next year.

But the prospect of profit has already thrust the valley into the forefront of political debate in Papua New Guinea. The debate embraces everything from the relationship between a Third World country and powerful multinational companies, to the impact of modern man, money and machines on a community just entering the 20th century.

While Porgera would be much smaller than either of Papua New Guinea's huge copper and gold mines at Bougainville and Ok Tedi, it looks set to be just as controversial.

Flying through the mountains and mists which surround the valley, political battles are the last thing on the visitor's mind. The flight concentrates the mind wonderfully on the difficulties facing the pilot as he lands on a rough airstrip which slopes uphill to slow the aircraft down. On take-off there is the unsettling sensation of being off the end of

Cloud sometimes cuts Porgera off for days from Mount Hagen, the nearest large mission town. Heavy equipment comes by a dirt road, frequently blocked by rockfalls.

Until three years ago, there were doubts about whether the deposit would ever be developed. Although there is a huge ore reserve at Waruwari, most of it is fairly low-grade. But in 1985 Placer and its partners struck an underground ribbon of ore, so rich that the metal gleamed yellow in the drill cores as they were pulled out of the ground.

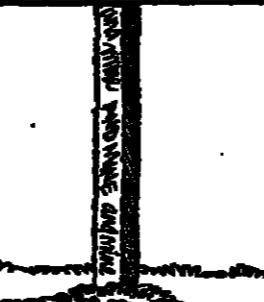
According to the latest survey there are 4.5m tonnes of high-grade ore, with a grade of 21.87 grammes a tonne of gold and 23.14 grammes of silver. News of the discovery spread through the mountains. The highlanders had heard that Ok

compensation payments to landowners so they docked to Porgera to claim their rights.

Payments to landowners are fixed by law, so much for a tree, a hut, a plot of land. But land rights are settled by tribal custom and are often a matter of fierce dispute between groups of families or clans. A number of tribal battles have been fought with spears and bows and arrows in Enga province recently. Four deaths and many injuries resulted.

The writ of central government runs weak in remote corners of the Highlands. Although Placer has built a police station at Porgera, it stands empty because police from outside the province are too frightened to use it.

Meanwhile the political leaders are staking their claims. Last month, Mr Ned



Laina, Prime Minister of Enga Province, said his government wanted to buy a 10 per cent holding in Porgera and the national Government in Port Moresby should help him pay for it.

The arguments in the capital are more sophisticated but the feeling that Porgera belongs to the nation is just as strong. The Government has the right to buy 10 per cent of the equity by contributing 10 per cent of the development costs.

The government stakes in Bougainville and Ok Tedi are 20 per cent but local economists have suggested that such equity investments are a waste of scarce capital in a developing country.

Debates over state participation have been overtaken by arguments about share ownership by individuals. The issue has split the coalition Govern-

ment in advance of a general election this summer. It was brought to a head by the decision of MIM Holdings to float its interests in the Porgera development in a A\$400m (£173.9m) new company, Highlands Gold.

Mr Palas Wingit, the Prime Minister, wants to delay the float, originally planned for March, until after the election so as to avoid the scandal which surrounded the sale last year of Placer Pacific by its Canadian parent Placer Development. Sir Julius Chan, deputy Prime Minister, then resisted calls for his resignation after admitting the purchase for himself and associates of 800,000 shares, or 7 per cent of the stock reserved for Papua New Guinea nationals in a heavily oversubscribed issue.

Sir Julius, who has been making approaches to opposition party leaders about possible post-election alliances, wants the Highlands Gold float as soon as possible. His allies say any delay would be "a very bad precedent."

The Cabinet is broadly agreed, however, on trying to extract better terms from MIM—in particular an increase from 4 per cent to 20 per cent in the proportion of the issue reserved for Papua New Guineans.

Mining is all-important to Papua New Guinea. Modern economic development has largely been powered by it, in particular by Bougainville, opened in 1972, and by Ok Tedi which started production in 1984. Bougainville has been profitable, providing as much as half the country's foreign exchange earnings. Ok Tedi has suffered severe financial difficulties, which led to its temporary closure in 1985 in a showdown with the Government. Porgera, though smaller than the other two, could prove highly profitable.

That will be good news for the men on site at Porgera. Pinned to the wall of the mine office is the motto: "Accursed thirst for gold, what dost thou not compel mortals to do?"

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Financial Times Saturday March 7 1987

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Financial Times Saturday March 7 1981

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# WEEKEND FT

Saturday March 7 1987

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

Roland John Wiley previews the Royal Ballet's latest production of a hardy perennial

## New life for an old Swan

**A** ROSE will be revived on Thursday at London's Royal Opera House. The occasion is a gala benefit for the Benesh Institute of Notation, and this production marks the debut of Anthony Dowell as artistic director of the Royal Ballet. Cynthia Harvey will dance the double role of Odette and Odile, and Jonathan Cope that of Prince Siegfried. The first public performance follows on Friday.

*Swan Lake* is one of the hardest perennials at Covent Garden; this week's gala comes 110 years, a week and a day after the ballet was first shown to a paying audience in Moscow. And if longevity were not sufficient measure of its health, *Swan Lake* has been subjected to experiments from time to time which yielded bizarre and unappealing hybrids. Only robust flowers retain their beauty when defied. Yet, this ability to sustain disfigurement with grace is not simply a matter of fundamental strength but has also to do with the status of *Swan Lake* as a classic—that is to say, a creation which transcends its generation and birthright in its artistic appeal and the relevance of its message.

In the case of *Swan Lake*, neither the message nor the classic status was clear 110 years ago. Judging from the number of times the ballet was performed, Muscovites then liked what they saw but were not sure what kind of flower the new work was. For six years, *Swan Lake* endured the trials of natural selection as artists and producers tampered with it, trying to give it a distinctive character. Then, the ballet was dropped, apparently forever.

In Russia, that turned out to be a dozen years. As it happened by *Swan Lake's* echo, Marius Petipa, first ballet-master of the imperial theatres in St Petersburg, sent to Moscow for the work, which went on to flourish again in a version first performed in St Petersburg on January 15 1895 (Old Style). But the transplant into northern soil did more than flourish. From it grew the ballet's classic stature: this latest version is the measure of all subsequent revisions, experimental or traditional.

The story of the ballet is a fairy tale, and for that reason its message resides beneath a whimsical and unlikely narrative. Indeed, if *Swan Lake* were only about a mother's plan to marry off her son being foiled by an evil genie because the boy loves a girl who spends her days as a bird, the ballet would have little claim to our attention or sympathy. The producers of *Swan Lake* in St Petersburg realised this and, before setting to work on the music and the dances, revised the scenario that had been used in Moscow, clarifying its imagery and deleting unnecessary detail.

The result is a clash of two worlds. On the one hand, a brassy, public world of responsibility and manners, where social proprieties force people to act in ways at odds with their feelings and judgment. The other is a quiet, private world of instinct and emotion, where purity of heart guides impulse untrammelled by too much civility. In *Swan Lake*, these worlds are presented to us in an enigmatic reversal of connotation much beloved of romantic artists. The difference between them visually is one of day and night. But the reality of it is ultimately false and illusory while the extraordinary visions of night strike us as intimations of our true aspiration—glances at a higher, more profoundly genuine reality.

In the story alone, we sense a contemporary (or timeless) human

resonance. One of the great virtues of the Petersburg version of *Swan Lake* was that the styles of the two choreographers involved with the production matched this dichotomy of worlds perfectly. While both men could respond in choreography to any narrative situation, as a stylist Petipa excelled at bravura dances calling for technical brilliance and finish, whereas Ivanov was at his best in dances with lyrical, gently contoured movement. The difference was as day to night.

A judicious revision of Chaikovsky's music complemented the differences in the story and the natural aptitudes of its choreographers. As matters turned out, the score of *Swan Lake* as Chaikovsky composed it revealed many of the problems of a first attempt—not deficiencies of talent but miscalculations by a non-specialist working without a choreographer's advice. *Swan Lake* was too long, too loud, and slightly misshapen. So, it was shortened and toned down and its numbers repositioned as necessary to reinforce the diurnal-nocturnal contrast with the greatest possible cogency.

When the question facing Anthony Dowell was whether to be a traditionalist, the answer was easy. A rose of classic beauty already existed—why not prefer it to a hybrid?—and the company of which Dowell is now master takes pride in its history of keeping faith with tradition.

That decision taken, perhaps the story should be over for lack of something more to tell. But putting philosophy into practice is never easy, and the artistic rightness of Dowell's choosing to revive the Petipa-Ivanov version of *Swan Lake* was a far cry from realising the production on stage.

Just as a ship tends to drift off course under the pressure of prevailing winds and currents, a ballet tends to depart from a given performance regimen under the pressure of artistic fashion and public taste. Changes in the ballet may or may not become a permanent part of the work, as they are subject to processes of discrimination similar to natural selection in a rose.

Dowell has made many journeys through *Swan Lake* as a dancer. Now, as director, his decision to replace the present traditional version of *Swan Lake* at Covent Garden with a new traditional version would at first seem paradoxical. If so, it is explained by the paradox within the meaning of the word "traditional," which in reference to ballet always connotes a work that is partly changed, partly the same. Dowell has chosen to reaffirm the narrative, music and choreography of the 1895 production.

His efforts mark a periodic re-adjustment in the traditional version of *Swan Lake*, one which will make the Covent Garden production in these respects a purer variant of the classic model than what has been performed there in recent years.

Re-creating such an ephemeral art form as ballet is no trifling matter. Even with the availability of film and sophisticated systems of movement notation, reconstruction of a recent ballet is an intricate and specialised skill and one



One of Yvonne Sonnabend's designs for next week's new Royal Ballet production of *Swan Lake*. Inset: Pierina Legnani as Odette in the 1895 St Petersburg production

practised, as regards the repertoire of the Royal Ballet, by notators trained at the institute for which Thursday night's benefit performance is being given. For works created before such technologies were available, the task is highly problematical, if possible at all. When the reconstruction is of a classic like *Swan Lake*, what facts we have are obscured by the number of different extant versions spread like rumours throughout the ballet world by dancers who claim some oracular authority based on their connections with participants in the first production.

Fortunately, the steps and floor patterns of much of *Swan Lake* were recorded in St Petersburg, and the records still exist. (They are preserved in the theatre collection at Harvard University, the curator of which has made them available for consultation to the Royal Ballet.) These documents, used in Britain for 30 years by the former regisseur of the Petersburg ballet, Nikolai Sergeyev, do not eliminate divination but do exorcise false authority from the work of reconstruction.

We learn, for example, from the

earliest notations — *Swan Lake* was compiled over some 15 years — that Odette first came on stage accompanied by a number of child swan maidens who went on to take part in the rest of the first lakeside scene. Because a large school was maintained in the imperial theatres, it was not unusual for children to participate in almost every ballet performance. For most companies now, however, providing child performers is expensive and problematical; even if available, they grow so fast that casting them for more than a few months at a time is impossible. Hence Odette has for decades entered alone and it is easy to think she always did. Thursday's performance might be the first since imperial times in which the swan brings her retinue.

Once the technical side is mastered, the problems of re-creating the dances of *Swan Lake* are largely practical and relate to the casual attitudes of the early Russian notators about their work. The assumption seems to have been that the records would serve not as a basis for reconstruction to the uninformed but as an aide-memoire to people who had learned the dances already. In theory, the system accounted for the movements of all parts of the body; but in practice only the legs and feet were regularly noted. In theory, the melody of a dance was to be written down with its movement notation, bar for bar; but in practice no music was included at all.

These deficiencies contribute to a third problem, more subtle and possibly more critical than the first two: recapturing the style and distinguishing the spirit of the text from the text itself. And what of the music that was played when the notators were busy with their pencils? It has never been published, nor does the conductor's score survive from the 1895 production.

The impossibility of reproducing the Petersburg *Swan Lake* in full detail gives pause to consider whether doing so would be a good idea even if we could. This surmise is pursued so far—that as much of the music and choreography as can be authenticated should be kept—but an acknowledgement of the simple likelihood that, when an audience which has evolved for a century looks at a theatre work which has not, it will probably perceive it as an artifact. *Hamlet* today is the text of *Hamlet*, not Ophelia acted by a boy in a draughty Globe Theatre.

In Chaikovsky's time, a ballet was identified by its scenario, music and choreography. Sets and costumes were added to this list with the advent of Sergei Diaghilev's *ballets russes* because the stage art of his repertoire was so dazzling and spectacular; because it interacted with other components of a ballet so effectively; and because the artists who designed it were often celebrities—people like Bakst and Picasso. Were *Petrushka* or *The Afternoon of a Faun* being revived instead of *Swan Lake*, there would probably be no thought of pre-empting the visual component of the original production (although one can imagine directors beginning to pre-empt

it as the style of these once-daring works grows more dated).

When Petipa revived an old work, new sets and costumes were prepared as a matter of course. In the present circumstances, redesigning the ballet (by Yolanda Sonnabend) is therefore not an extraordinary liberty but a matter of invoking typical theatrical practice at the time *Swan Lake* was new. Then, as now, the purpose would be to give familiar dances a fresh setting.

For all its virtues, the Petipa-Ivanov version of *Swan Lake* was in some degree a victim of its own circumstances. While it might be difficult to find a ballerina today who matches the physical characteristics and ability of Pierina Legnani (the first Odette) in St Petersburg, thought by some of the 130 contemporaries to be the finest dancer in the world, it is a simple matter to find a leading male dancer with legitimate claim to greater virtuosity than Pavel Gerdt, the first Prince Siegfried.

In his prime, Gerdt was a fine dancer who was schooled in elegance but shunned *tours de force*. A great popular favourite, he became enshrined in the Petersburg ballet to the extent that in his later years—he first danced Siegfried at 50—his stature hindered the advancement of young male dancers with pretensions to virtuosity equal to that of Italians like Legnani.

Dancing opposite Legnani in *Swan Lake*, Gerdt was already an anachronism in 1895. Given the expectations of present-day audiences for technical display from a male dancer, it would not be a more glaring anachronism than before but also bad business and bad art if a producer imposed on his Siegfried limits comparable to what age and technique imposed on Gerdt. In addition, we have no idea what Gerdt's dances were; they were apparently never recorded.

For these reasons revivals of *Swan Lake*—beginning with Diaghilev's, in which Vatslav Nijinsky danced a variation to the Sugar Plum Fairy's music from *The Nutcracker*—have always departed from the traditional version in an attempt to give Siegfried something bravura to do. Anthony Dowell's revival will not be an exception.

Given all the complications of revival, what can be said about the new production in its totality? In matters relating to artistic impression, the jury is out until next week. In relation to the model after which it is fashioned, the narrative basis of the new production is true. The music and choreography are in very large part—one is tempted to estimate over 80 per cent—in accordance with what can be confirmed about the 1895 production in the present state of documentary knowledge. (The other 20 per cent has mostly to do with Siegfried's part, for reasons just cited.)

The fidelity of Dowell's production to the scenario, music and dances used in St Petersburg might possibly make it the most authentic production of *Swan Lake* anywhere. It is certainly truer to its model than the recent Bolshoi Theatre production (which makes no pretensions to historical revival); and on fine points might be argued as truer than the present production of the Kirov Theatre, where *Swan Lake* was first seen in 1895. Could that be an ironic commentary on who keeps the flame?

● Roland John Wiley is a professor of music at the University of Michigan, Ann Arbor. He is the author of a study of Chaikovsky's Ballets and has acted as consultant for the Royal Ballet staging of *The Nutcracker* and the coming *Swan Lake*.

### The Long View

## How to avoid conflicting interests

THE FINANCIAL community has got itself a bad name at the moment, and on the whole it is well deserved. In London, until now, only one or two male-factors have been identified outside the Lloyds Insurance community; but nobody believes we have heard the last word.

In Wall Street, where senior executives of some of the most respected investment houses have been led from their offices in handcuffs (and in tears), it is rapidly becoming a case of guilty until proved innocent. Almost any candid investment banker, it seems, ought to confess, as Oscar Wilde did: "I can resist anything except temptation."

While knowledgeable people have always expected that financial deregulation would lead to some trouble, the combination of greed and incompetence now coming to light really is a surprise. One senior investment banker in Wall Street—a man always ready with a press quotation deploring bad conduct in others—actually collected a hefty bribe in cash, and under the unbelieving gaze of the enforcement officers. This was a man whose salary was some \$2m.

Stories like this make such good soap opera that it is easy to become a goggling spectator. An investor owes it to himself to do better than that, though: he must try to understand what is going on, and draw useful conclusions.

The first point to grasp is that this misbehaviour by those who handle very large sums of money is nothing new. What is new is that they are being found out. Insider dealing, for example, was not even an offence until 1980 in this country; and the ban has never been of much effect. City editors would find it much harder to sell their columns if there were no odd price movements to speculate about.

Recent scandals in the City, and bigger ones in Wall Street, will mean tougher rules in the future. But they should not frighten the prudent investor unduly, suggests Anthony Harris



However, it was not in the least likely until this year that the house through which you put your own dealings would itself be involved in this kind of skulduggery. The insiders were outside the market.

The scandals matter much more now because they confirm what many critics of deregulation had always feared—that the conflicts of interest which arise between the corporate finance division of a house, which tries to sell new shares

at a high price; the market-making division, which wants to buy them cheap; and the broker arm, which is supposed to help clients to buy cheap, are indeed very difficult to resolve.

Insider dealing is only a special case of such a conflict. Information may leak through the Chinese wall of a single house—the rule which is supposed to ensure that the right hand does not know what the left hand is doing. It may simply

pass improperly between two independent rogues, who thereby damage the interests of their employers and their corporate clients.

The small investor, however, is not usually a victim. He benefits because he is alerted by a sudden price surge to the fact that he might be about to hear something to his advantage. The big investor, such as a pension fund, is in much the same position, despite the Labour Party's crocodile tears on its behalf.

It is true, of course, that ruthless operators have been known to manipulate share prices in order to create an impression of good news to come, so that they can then unload their own holdings; or they may spread baseless rumours to get the same result. This kind of thing has been going on as long as stocks have been traded, and has nothing to do with deregulation; so the first rule for the new world carries over from the old.

It is blessedly simple: never buy or sell on the strength of unexplained price movements unless you fancy a gamble. If you must gamble, do it on the buying side; there are 100 insider dealers for every effective price manipulator or credible rumour-monger.

It is the other threats arising from conflicts of interest that pose trickier problems. Take, for example, the most basic of all problems: who should manage your investments?

In the old days, the small-to-medium investor who did not wish to take a very active interest would simply give his broker discretion. A reputable broker might show something in a good way short of genius in his choice of stocks but his choice was usually pretty good. If you were not very clever, he could be trying to sell his own book.

You can still seek out an agency broker, or an independent investment advisor, and so avoid all conflicts of interest, and as a result of the latest scandals a good many people are choosing these courses.

This has much to recommend it in principle; but in practice you might well be better off sticking to a trusted broker who has shown good judgment and understands your personal needs, even if he is now employed by some giant all-purpose conglomerate. Good habits as well as bad can die hard.

Even for the newcomer, the biggest of the new conglomerates may well be the safest of all choices. Investing through a single-capacity house is a bit like shopping; a clearing bank or giant insurance company will certainly be striving to become a Marks and Spencer of the financial world, where the choice may not be the most exciting available but the quality can be taken for granted.

One-stop financial shopping is also labour-saving, but individual advice will not be readily available. The giants, then, may well be the ideal choice for the people least likely to choose them—busy people who want to make their own investment decisions.

The greatest care is needed where the greatest rewards may be available—the specialist houses which built up great reputations in another age. Some of them are now under great financial pressure since there is not enough business to go round in the new City, even in a bull market; you want an adviser who will worry about your problems, not his own.

For the small investor, that will be the most dangerous of all conflicts of interest: once the bull market turns, if you follow the astrologer who figured here recently, beware the idea of May.

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The advertisement is for Oppenheimer Managed Assets Company, promoting offshore investment opportunities in Luxembourg. It lists five funds: European Managed (£), Global Income (US\$), International Managed (US\$), Pacific Managed (US\$), and Worldwide Recovery (US\$). It mentions an initial range of 5 funds and easy access via a share distributor in London. The ad includes a deadline for applications (March 30, 1987) and contact information for a prospectus (01-489 1078 or FREEPOST EC4B 4HE). A small note at the bottom states that the information is based on current U.K. tax legislation.



## • MARKETS •

# Indices hit records after GM buyback

HAVING SURVIVED some bad or indifferent news for a couple of weeks, the US equity market was just waiting for a chance to break away. It got the chance on Tuesday, but from an unexpected quarter.

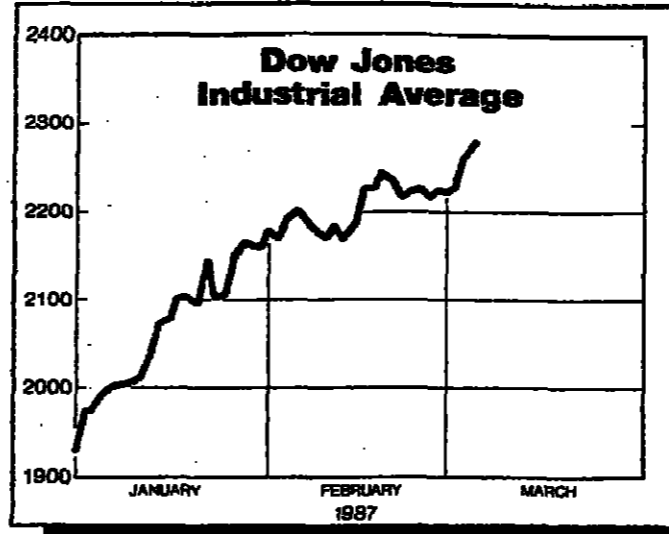
Just after the market closed, General Motors announced it would buy back a fifth of its outstanding common stock over the next four years to increase returns to shareholders.

On Wednesday, GM common stock, which has not changed much since the 1960s, jumped \$3½ to

example, if belated, of concern for shareholders' wealth. Some people were also hoping that GM might set off the sort of wave of equity retirements that helped buoy up the market last year.

Before the buyback announcement, GM common stock was so depressed that it was trading at a discount to book value. It is probably cheaper for GM to buy shares in its own car plants in the stock market than to spend money on building new ones.

Before the move was announced, the company's stock was so depressed that it was trading at a discount to book value.



## TSE's record surge

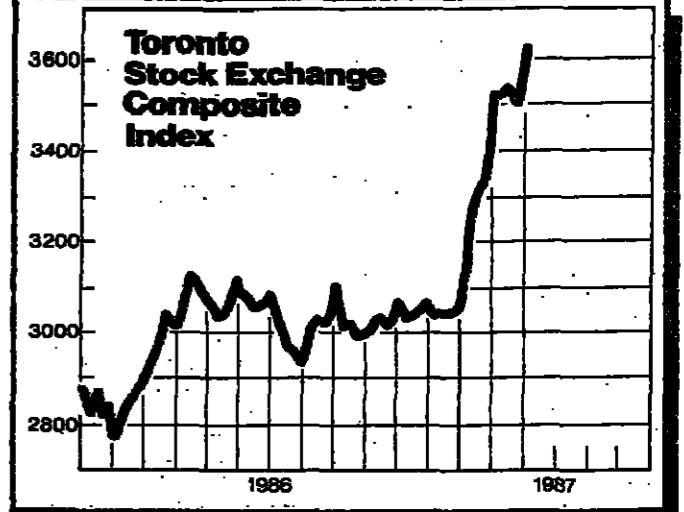
"IT'S NOT total insanity—it's just excessive enthusiasm," is how Michael Ryan, research director at Vancouver-based Pemberton Securities, politely describes investors' headlong stampede on the Toronto Stock Exchange.

The TSF 300 composite index has surged to new records on 22 separate days since January 1. It stormed through the 2,600 mark last Thursday, bringing its rise so far this year to more than 16 per cent.

Far from faltering, the rate of climb has accelerated. The TSE 300 has gained 4 per cent in the past week alone.

Experts have no shortage of explanations to offer for the raging bull market—even if they do sometimes seem to contradict one another. Patrick Mars, respected mining analyst at Alfred Bunting and Co, ascribes the popularity of gold shares to renewed fears of inflation. Brazil's debt problems and the enormous budget deficits overhanging the US and Canadian economies.

On the other hand, Michael Graham, director of Merrill Lynch Canada's investor support group, argues that the



entire market is benefiting from "massive secular changes in recent years—the cheapening of the dollar against other hard currencies, the subduing of inflation, the collapse of world oil prices." According to Graham, "we are encouraged by 1987 prospects in an emerging investment-led, earnings-driven climate."

Foreign investors are drawn by Canada's political stability and steady currency. Pools of domestic capital are bottled up locally by rules which allow pension funds and other institutions to invest no more than 10 per cent of their assets in foreign markets.

With the Canadian economy stuck to the US's coat tails, the TSE normally follows trends on Wall Street. But the resource base of Canadian business makes the Toronto market much more volatile.

The TSE gold index now trades at a multiple of 50 times earnings, compared to the relatively modest P/E ratio of 20 for the market as a whole.

The most sought-after gold shares are those with institutional appeal—well-managed companies which own several mines and whose shares are easily traded.

Echo Bay Mines and Placer Development (which are ranked 16th and 18th respectively by TSE market capitalisation) are among the favourites. Placer's share price has zoomed from C\$30 to C\$41 since the beginning of the year.

The stock market may be early proof that what's good for gold will be bad for the

### Toronto

banks. Bank shares are among the few sectors where caution still prevails.

Canada's six big banks have lent C\$7.1bn to Brazil plus hefty amounts to troubled domestic energy producers. The share price of Bank of Montreal, which has the biggest exposure to Brazil, sank from C\$37.12 to C\$33.62, after debt-servicing payments were suspended last month. It has only partially recovered.

But the consolation for the banks may be that having risen more modestly than the resource companies, their shares are less vulnerable to a sharp setback.

After spelling out all the reasons why gold stocks have spurred ahead, Patrick Mars at Alfred Bunting none the less concludes that prices "have gone over the top. I can't justify them at these levels."

Bernard Simon

## Black gold weathers the storm

WHEN THE price of oil falls by half and becomes so volatile that blind uncertainty prevails, dismal results from any company that has anything to do with oil are to be expected.

So how did Shell, one of the biggest oil companies in the world, manage to come through the black year of 1986 apparently unharmed? On Thursday it announced profits for the year up by 8 per cent; £1.5bn added to its cash mountain, and with unexpected generosity declared a 31 per cent increase in its final dividend.

Shell, like all other major oil companies is a consumer of oil as well as a producer, so the damage that the fall in price does to production is offset partly by the benefit to its refineries and marketing businesses.

The effect is not a perfect balance, and oil companies would much prefer to see oil prices both high and stable. However, when crude oil prices are falling quickly, the majors find that they can keep some

of the advantage to themselves for a while before passing it on to the final consumer. The reason for this far payout is the link between the sterling dividend paid by Shell Transport and Trading and the dividend paid in guilders by its sister company Royal Dutch, which usually means that the dividend in the weaker currency shows the larger increase.

Although this could tell

which rose by 8 per cent, is regarded as more telling, as more telling, as stocks are valued at current prices, giving a more up to date picture of the company.

Shell shareholders were well pleased by Thursday's news,

### Commodities

particularly with the huge increase in the dividend. The reason for this far payout is the link between the sterling dividend paid by Shell Transport and Trading and the dividend paid in guilders by its sister company Royal Dutch, which usually means that the dividend in the weaker currency shows the larger increase.

Although this could tell

against Shell T & T next year, shareholders did not seem to mind, especially as the company was making such encouraging noises about the future.

According to Peter Holmes, Shell Transport's urbane chairman, 1987 will be a better and altogether calmer year for the industry, with a strong chance that Opec will succeed in pegging oil prices at \$18 a barrel.

The market seems to agree with Holmes. Since Monday the oil price has risen by nearly \$1.50, and the whole oil sector has moved up by more than 5 per cent. A week ago investors were at best agnostic about Opec's ability to hold its present production agreement together; now the market is full of hope, and is taking more seriously the tough talking by Opec members.

The reaction of the stock market to the latest turnaround

in oil prices is unusual. Prices of smaller oil companies involved only in oil exploration and production should be particularly sensitive to any shift in the oil price, leaving more sedate movements to the majors. However, over the past six weeks it has been the majors that have been both setting the trend and outpacing the smaller independent companies.

This is partly because the majors' results have clouded the issue. The oil market's creeping pessimism during February, when the oil price fell by about \$2 and the sector lost more than 10 per cent relative to the market, coincided with some disappointing results from BP. Within a few weeks, both shares came thumping down by over £1, underperforming the market by about 20 per cent.

Unlike Shell, BP made almost no money from refining and selling oil products during the last quarter. This rattled some into thinking that the happy times downstream for the industry were over, and a return to the unprofitable and competitive conditions of the early 1980s was on the way.

However nobody now takes this view too seriously. As Holmes pointed out this week the whole industry has contracted so sharply over the last few years that almost whatever the crude price does, downstream profits are likely to be entering better times.

The fall in the majors' share prices went too far. Despite BP's slightly stung increase in its dividend, at the bottom investors suddenly noticed that it was yielding twice as much as the market and a rally started. This coincided with a rise in the oil price, and more than respectable results from Shell. It has been a most profitable week for oil investors.

Lucy Kellaway

# For advice on how to make a small investment pay substantial dividends, ask your newsagent

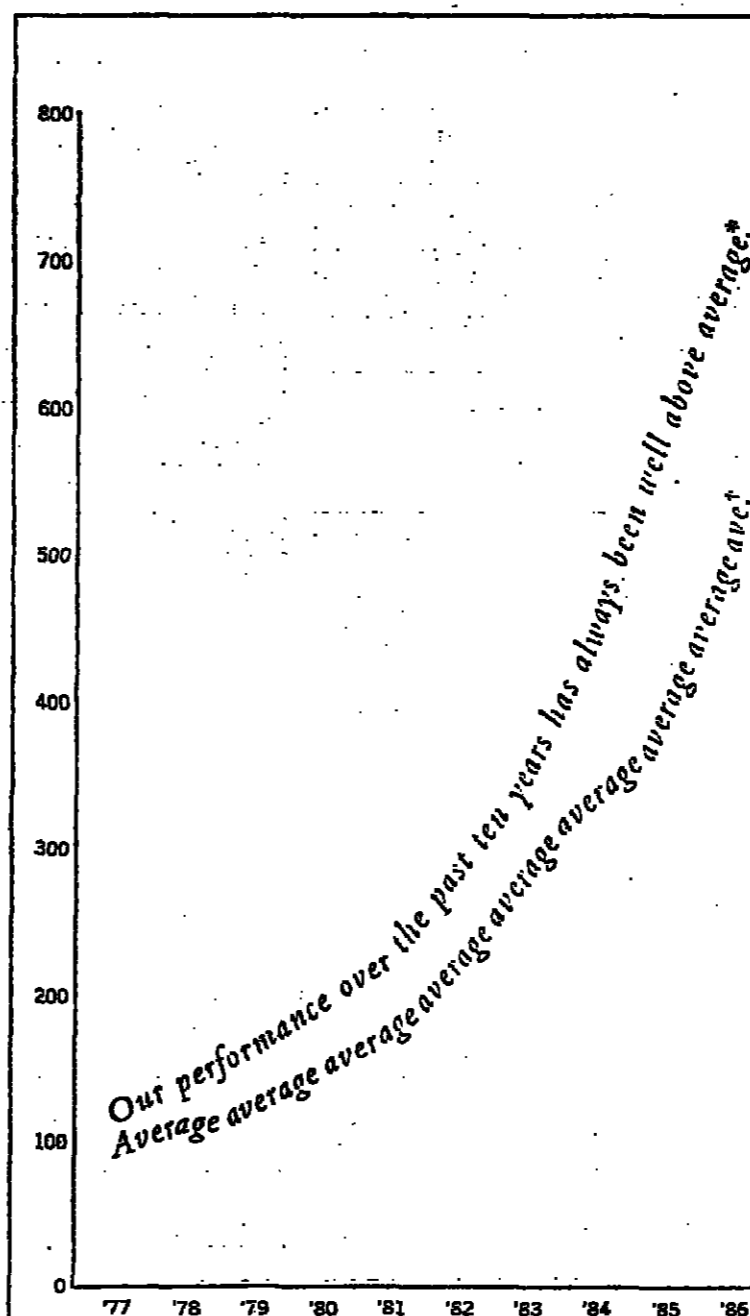
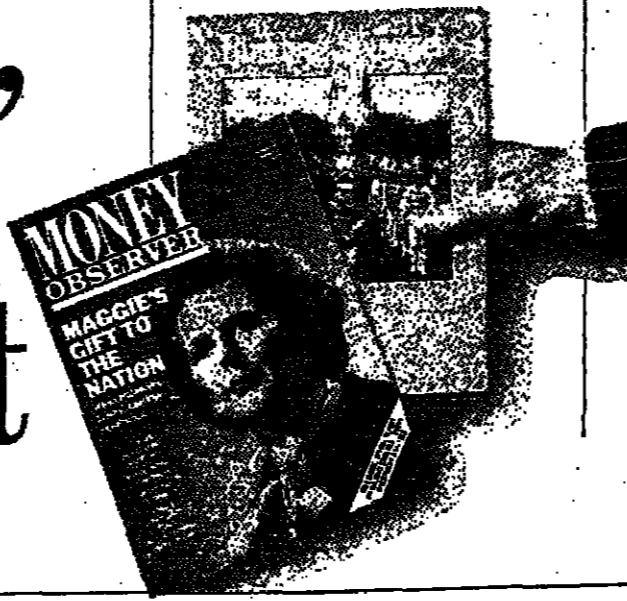
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## FINANCE &amp; THE FAMILY

The Sids who bought gas should branch out, advises Nikki Tait

## Converts of another persuasion

DO YOU fancy the stock market but worry that moving savings from a building society would mean a loss of income and security?

The problem is common, and helps explain why — when privatisation has boosted the number of share owners to over eight million — only one million investors have stakes in more than three companies.

It is surprising, then, that no one tells the more committed Sids about convertibles. These stocks pay a fixed rate of interest for a given period, after which they are redeemed at par (usually £100). However, before that date, investors are given the option to switch into a pre-set number of ordinary shares. Alternatively, they can at any stage sell their stock in the market.

Because of the fixed income element, the price of convertibles is usually less volatile than that of the ordinary shares. That gives some protection if the company's profits picture suddenly clouds (though, conversely, less exposure to unexpected good news).

For small investors, it may all sound rather esoteric. Yet in the context of the stockmarket generally, convertibles now constitute a £6bn segment, which is roughly the capitalisation of the Unlisted Securities Market. There are some 380 stocks to choose from — about one-sixth of the number of main market shares.

Best of all, a recent wave of new convertibles has come from companies everyone

knows, largely because the bulk of these issues have been bid-related. Hanson Trust gave the market a giant boost when it issued £1.2bn-worth of convertible stock in conjunction with its bid for Imperial Group almost a year ago. Before that, the largest single stock was a previous £180m Hanson offering.

Other smaller, bid-inspired issues have emerged from Guinness, Burton, Storehouse, Williams Holdings, and most recently, Ward White. Had the Lloyds Bank bid for Standard Chartered gone through last summer, the first bank convertible would have hit the market.

So how does the private investor tackle convertibles? First, realise that they come in different shapes and forms. The basic choice is between loan stocks (which are redeemed at a set date) and preference stocks (which, unless they specifically say they are redeemable, simply convert).

In practice, this makes little difference to marketability or popularity but the coupon on loan stocks is quoted gross and on convertible preference, net of a source of endless confusion for the unwary.

The key to picking the "right" convertible is to concentrate on the underlying shares. "Never buy a convertible in a company you don't like," warns one pro.

For small investors, that usually means deciding on a company first and then checking whether a convertible is available if the yield appears disappointingly low. Alternatively,

you can run down a list of convertibles, and then check out the underlying company's credentials.

The relatively higher cost of a convertible is tagged "the premium" and normally expressed in percentage terms as the difference between the conversion price and the current underlying share price divided by that share price.

That sounds more complicated than it is. Take the Ward White 6 per cent convertible redeemable preference shares, for example. Conversion can take place between 1989 and 2005 on the basis of 34.25 ordinary shares for every 100 convertible pref. So with the convertible pref trading 123p, the effective conversion price is 359.1p. That compares with an actual price for Ward White of 328p, and the premium is 31p or 9.5 per cent.

An investor interested in the company would note that the gross yield on the two securities differs markedly — 6.9 per cent against 3.2 per cent. What he must decide, assuming he thinks Ward White a good buy, is whether he is going to get at least 31p of additional income if he holds the convertible. In this particular case, analysts at BEW calculate that dividends on the ordinary would have to grow at 17.4 per cent a year for the convertible to be worth the premium. That is a fairly steep though not impossible — rate of increase — so for the income-conscious investor, the convertible looks a reasonable buy.

A more general rule for

income-minded investors is to pick convertibles in companies they fancy where the premium is low. But note the time element: the premium tends to narrow as the conversion date looms and the income advantage of the convertible diminishes.

Having bought, held and enjoyed the extra income, when should you convert? In theory, when the income from the convertible ceases to exceed income from whatever number of ordinary you could convert into — there is then no advantage in the former and you might as well take your chances on the shares themselves.

The dates are worth watching: once the ideal conversion period has passed and institutional investors have piled out, the market in the remaining outstanding convertibles may become thin.

Indeed, convertibles often then drift to a discount — which newcomers sometimes mistake as a cheap way into ordinary. It is true that genuine market aberrations do occur but, with around one-quarter of the total convertibles on offer standing at a discount, income considerations are often the explanation.

The big drawback for small investors is that information about convertibles is not exactly plentiful. Prices of the larger issues are printed in some papers and details of the stock given on Etsel cards. The Stock Exchange Investment List, published by Mathieson and Sons (tel: 01-403 5742), provides a full list of securities with their associated convertible stock.

But for conversion advice and estimates of potential dividends, the research of underlying equity brokers is extremely valuable. Many of the larger City firms now offer this service and any decent broker should be able to tap into advice, although private clients may need a hefty portfolio before getting access to the research material themselves.

The last Etsel survey of analysts gave top billing to the teams at James Capel, Phillips & Drew and BZW, with Hoare Govett coming in fourth. Unlike some of the more

curious corners of the stock market, however, dealings costs on convertibles are not punitive. Most brokers trade these stocks at normal equity, not fixed interest, commission rates. Spreads on the larger issues are little different from those on equivalent shares.

So what stocks are tops at present? With the caveat that the individual takes his own view on underlying equities, everyone likes the giant Hanson 10 per cent convertible loan stock, which yields 7.4 per cent compared with 2.7 per cent on the ordinary and is on a premium of 4.7 per cent. Another issue frequently mooted is British and Commonwealth's 7.1 per cent convertible 1/2m stock, where the yield is 6.2 per cent and the conversion premium 10.5 per cent.

Among the higher-yielders, Phillips & Drew suggest Hawley's convertible redeemable pref — which carries a 9 per cent yield and conversion premium of 13.7 per cent. The broker also likes the look of International Leisure's 7.7 per cent convertible pref (conversion premium, 7.7 per cent and yield, 9.4 per cent) and, in the property sector, London and Edinburgh Trust's 6.5 per cent convertible pref (issued last November and currently on a hefty 21.6 per cent premium but with a yield of 7.9 per cent against 1.4 per cent on the ordinary).

James Capel point to the Ratners 5.85 per cent convertible pref (0.4 per cent premium and 4.3 per cent yield); First National Finance's 6.3 per cent convertible pref (1.6 per cent premium and 6.7 per cent yield); Saatchi & Saatchi's 6.3 per cent convertible pref (5.9 per cent premium and 6.6 per cent yield); and Woolworth's 8.5 per cent convertible loan stock which yields 4.94 per cent and stands on a 1.8 per cent discount.

Finally with market storming to new highs, analysts make the point that convertibles have particular attractions. "Prices of convertibles tend to lag," says James Capel, and many stocks look cheap right now — some are very attractive," Sid should take note.

## Read that small print

THE GOLDEN rule of any share issue is to read the prospectus, and nowhere was this better illustrated than in this week's story of Saint Hotels.

Dr David Wishart, a shareholder in Saint Hotels, became unhappy when he read the details of a rights issue from the company, in which he had invested last year via a Johnson Fry-sponsored Business Expansion Scheme issue.

What mainly displeased the doctor was the formula being used to determine how the money raised would count towards the calculation of management incentives.

Essentially, management incentives depended on the increase in the value of the company between the issue date and the end of the five-year BES period. When the issue was made, it was stated that the company would need to grow by 10 per cent compound a year to trigger the incentives.

However, the formula proposed by Johnson Fry allowed only a proportion of the rights issue money to be added-in to the original base value of the company. The present value of the company, including all the rights money, would thus have been immediately greater than the 1984 value.

In other words, merely by making a rights issue, the management would have moved substantially closer to the target growth rates required for the incentives to operate.

The doctor's view was borne out by analyst Steven Rowe of BES Investment Research. To its credit, Johnson Fry has now admitted that the formula did not achieve its purpose — ensuring that all money injected must achieve a 10 per cent return — and has agreed to adjust it as soon as possible. Wishart's concern has been vindicated.

The Budget is less than two weeks away and sponsors are firing their final salvos at the elusive Business Expansion Scheme investor.

Johnson Fry features again in the launch of Fast Forward Inns, a pub/restaurant group. One inn is already trading near Stafford and another is about to open.

Fast Forward was launched via an investment from a Johnson Fry managed fund and equity has also been put in by 31 and Whitbread. The company hopes to raise a maximum of £2m via the issue of 2m shares at £1 each. The usual Johnson Fry "golden share" provisions apply.

Meanwhile, Edinburgh Tankers, one of the biggest ever BES schemes, which Johnson Fry launched in January, has failed to meet its minimum £4.5m subscription. Because of the underwriting arrangements, the scheme will still go ahead.

Ronald A. Lee, an antique dealer based in Mayfair, is a spin-off from an earlier company called Fine Arts. It boasts as chairman Sir John

Christopher Foggo Montgomery Cuninghame, Bart, a former director of Morgan Grenfell.

Last year, Ronald A. Lee made a pre-1985 offer of over £50,000 of shares of over £50,000 and the company now wants more funds to increase its stock of antiques. Exactly £25,000 shares are on offer from Edinburgh-based sponsors Noble at £1 each.

Trinity Estates is a secured contractor, with interests in property development. To differentiate it from the many other contractors on offer, it points to its "locate, design and develop" service and the management experience of Keith Price, formerly of Tarmac Properties. The company is closely linked to the construction group, John E. Wiltschier.

Sponsor Chancery Securities is taking an option of 5 per cent of the £5m equity being raised at the issue price of £1.

Roman Homes is an existing company which has already raised just under £1m via the BES in 1985. This time, it hopes to raise a maximum of £720,000 via an issue of ordinary and convertible preference shares to fund its expansion in the retirement housing sector.

Roman is making a profits forecast (not a projection) of £250,000 pre-tax in the current financial year and hopes to join the Third Market by September.

Philip Coggan

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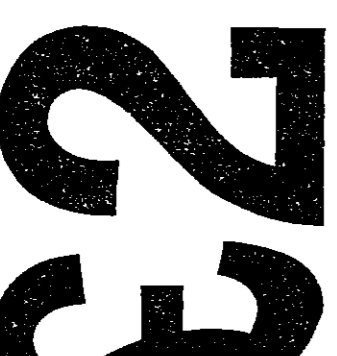
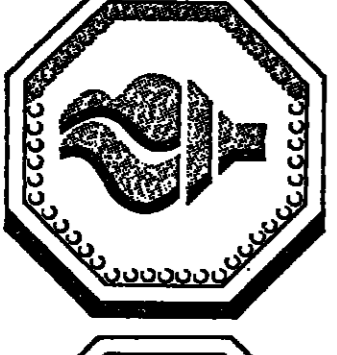
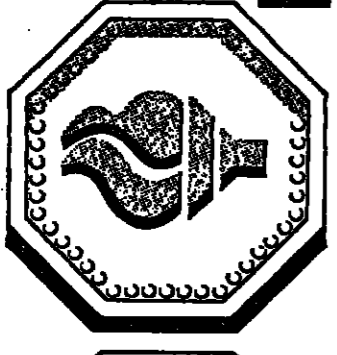
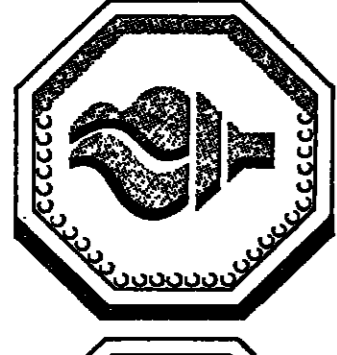
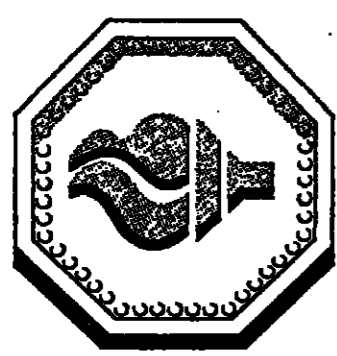
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Amid great excitement, the new Murray Olympiad fund burst out of the starting blocks on 24 January. Its aim: to be the top performing international unit trust.

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With £20,000,000 in its first lap, Murray Olympiad looks like becoming an investment opportunity of marathon proportions.

Investors should regard this opportunity as a medium to long term investment. Unit prices and the income from them can go down as well as up. The trust deed permits the purchasing and writing of traded call options and the purchase of traded put options. Investments are permitted in other stock exchanges or markets in respect of which the Secretary of State for Trade has publicly stated an authorised unit trust may invest, subject to the restrictions in the trust deed.

CHARGES: Initial 5.4% (included in the offer price). Annual: 1%.

PRICE AND YIELD: On 5 March 1987 the offer price was 50.7p and the estimated gross yield was 11.4% p.a.

DISTRIBUTION: Distributions will be made on 31 March and 30 September each year. The first distribution will be payable on 30 September, 1987.

DEALING: Units are normally bought and sold daily (excluding bank holidays).

Current prices and yield are published in the Financial Times, Daily Telegraph and Glasgow Herald.

SELLING UNITS: To sell your units, sign the certificate and return it to the Manager who will send you a cheque normally within seven days.

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## FINANCE &amp; THE FAMILY

## Halifax makes an offer



THE HALIFAX Building Society has made what it describes as a "modest" entry into the consumer credit market with the introduction through selected branches of XtraLoan multi-purpose personal loans.

At first, they will make available only to existing borrowers with good mortgage repayment records. Unsecured loans of between £500 and £5,000 will be offered at a fixed monthly interest rate of 1.5 per cent, equivalent to an annual percentage rate (APR) of 10.5.

You will be able to repay over one to five years and free life cover will be included. There are no arrangement fees.

Secured loans of £3,000-£15,000, with a second charge taken on the borrower's property, can be repaid over three to 25 years. The variable monthly interest rate now is 1.3 per cent (16.7 APR). Once again, there is free life cover and there are no additional costs. The society will pay all legal and valuation charges involved.

THE CHELTENHAM and Gloucester Building Society has increased to 9.05 per cent annually the interest rate offered to investors with more than £20,000 in a Gold Account. A similar rate will be paid to those who prefer their interest monthly. Withdrawals can be made without notice or loss of interest.

Large investors with £20,000 or more will also get higher rates in the society's Security and Growth Plan, under which interest earned monthly is automatically used to buy units in a UK Growth trust managed by Gartmore.

Among the smaller societies, the Newbury is paying 9.5 per cent for balances of more than £25,000 in its three-month notice Treasury Plus Account. On balances of more than £2,500, a monthly income facility is available at 9 per cent annual interest.

The Sheffield Building Society is also paying 9.5 per cent annually on its new Premium Account, which needs a minimum balance of £5,000. You can withdraw without loss of interest if the balance remains over £10,000. Otherwise, you must give 90 days' notice.

IF YOU are self-employed, the man from the Pru is looking for you. THE Pru is launching a £375,000 advertising campaign offering a free guide entitled *Money and the Self-Employed*.

The group recently announced a new business insurance package aimed at the booming self-employed market, which is said to be increasing fast from its present 2.7m people.

THE SHAPE of things to come? Skipton Building Society has decided to make use of the new freedom under the Building Societies Act to become a financial intermediary. It has written to all its investors with larger balances suggesting they might consider switching a proportion of their savings into the Scottish Widows Capital Investment Bond.

A special feature of the Skipton Capital Growth Plan, as it is called, is that you receive up to 1 per cent extra in units if you invest over £6,000. This represents part of the commission being earned by the Society from Scottish Widows for promoting its bond.

Terry Adams, Skipton's chief executive, claimed they were the first Society to offer a real alternative investment plan, even though it might result in a withdrawal of some funds from the society. He said that with retail receipts well in excess of their market share, the Society had plenty of scope to obtain funds from the whole-sale market to offset any outflow of money into the bond.

Skipton also claimed to be the first society to announce plans for accepting share applications for the forthcoming privatisation issue of British Airways.

LEAMINGTON Spa Building Society is following a similar route. It is linking with Commercial Union in offering what it calls a Double Top Account. You are guaranteed a net interest rate of 12 per cent for six months on half the investment made. The other half is put into the CU Prime Investment Bond, with an additional 1.5 per cent allocation of units if you invest before March 8. Minimum investment is £10,000.

BRISTOL & West Building Society is using the new powers available to move into estate agency and establish a share-dealing facility through Laing and Cruickshank. Meanwhile it has lifted the minimum interest paid on its special three month account to 9.25 per cent for all investors with the minimum balance of £5,000. Previously the interest rate structure was "tiered" according to the size of the balance from 8.80 to 9.25 per cent.

ANGLIA Building Society is also offering a rate of 9.25 per cent on a new two-year high income bond. If you want to draw income monthly then the rate goes down to 9 per cent. Minimum investment is £1,000 and you have to give 90 days notice for withdrawals to avoid loss of interest.

Christine Stopp looks at the advantages offered to investors by umbrella funds

## One way to beat exchange controls

THE FINANCIAL services industry is rapidly becoming more European. A number of recent additions to the range of "umbrella funds" incorporated in Luxembourg describe themselves unashamedly as SICAVS (société d'investissement à capital variable). This simply means that they are unit trusts structured like companies, so you buy shares rather than units.

With an umbrella fund, as opposed to an ordinary offshore fund, there are numerous classes of share, and the underlying funds are invested in different equity markets, as well as a variety of currencies. There has been a small rash of new umbrella funds in recent months, most of them based in Luxembourg, as the table shows. The reasoning behind them is undoubtedly pre-election fears: getting one's money overseas in the event of a sterling crisis should Labour win, and choosing a base which is outside the scheduled territories, and therefore likely to escape a reimposition of exchange controls.

Apart from political paranoia, there are sound reasons for looking at umbrella funds. If you hold a UK unit trust with a number of sub-funds, you will be liable to capital gains tax when you make a switch. This is not the case with an umbrella fund, where switches can be made without incurring a chargeable gain, and often without fund charges either.

Some umbrella funds offer a wide range of currency sub-funds, giving a choice of cash or near-cash refuges for your

money — something else which is not yet possible with a unit trust.

As for reputation and performance, the funds shown in our table are typical, coming from well-established groups, with highly visible unit trust performance records. It is important to know whether a fund has distributor status or not. Distributor funds must distribute the bulk of their income as dividends. They are also required not to trade too actively, but there are no fixed guidelines on what that means.

With a distributor fund there is a distinction between capital and income for tax purposes. Income is taxed as income and gains as capital gains, just like a unit trust. If a fund loses its distributor status by infringing the vague guidelines, income and capital gains are rolled in together and the whole lot is taxed as income — rather like an investment bond.

The UK investor should therefore ensure the shares are in a fund where the managers intend to apply for distributor status. For an expatriate investor who has no tax in the UK, the distinction is irrelevant. If there is a worry about offshore status, particularly with umbrella funds, since one sub-fund without it would taint the whole lot, for all the rest.

Of the funds in our table, Hill Samuel's is the odd one out. It is a Jersey-based non-distributor aimed mainly at expatriates and UK investors who expect to retire abroad, and can therefore take their profits

once they are no longer subject to UK tax.

Mercury's trust, MOST, was set up late last year to provide an alternative for investors in Mercury's wider ranging dollar-denominated umbrella, Selected Trust. This became necessary since the group did not intend to apply for distributor status on the Selected Trust for 1987. MOST does not include a range of currency and bond portfolios, because of the potential risk to distributor status.

Other groups would regard this as a particularly conservative attitude, though Oppenheimer has no currency or bond options, and the only would-be distributor trust in our table with a full range of bond funds is Wardley.

Henderson also has another umbrella trust aimed more at the expatriate market. Its Global Strategy fund, like Mercury's, is sterling-denominated making performance easier to follow. The minimum investment is low for an umbrella fund at £1,000.

Groups are looking enviously at the \$400m-plus in Gartmore Capital Strategy, the first of the umbrellas. It is setting up in Luxembourg because its resident funds should be freely marketable in the UK once harmonisation of financial services across Europe is complete.

Investors will therefore have more and more umbrellas to choose from, easily available in the UK, and free of CGT on switching — all of which should make life interesting for the home-grown unit trust industry.

## UMBRELLA FUNDS

Sub-funds offered	Equity	Currency	Fixed int.	Min. Inv.	Dist./Non-dist.	Charges	Switches
Wardley Global Selection (Luxbg)	Australasia Canada Europe Hongkong Japan Sing. & Mal. UK USA	£ Money DM Bond Mkt. USS Mone USS Bond	DM Bond Mkt. Yen Bond SWFR Bond USS Bond	\$ 10,000	Dist.	5% initial 1% annual (Equity & Bond) 0.375% (Money Market)	1st 6 in 1 yr free. Then reserve right to charge 1% on value switched
Oppenheimer Managed Assets (Luxbg)	Eur. Managed Global Inc Int'l. Managed Pacific Managed Worldwide Recovery	—	—	\$ 5,000	Dist.	5% initial 1% annual	1% of net asset value of shares into which switch being made
Henderson Global Strategy (Luxbg)	Managed Int'l. Nth America Europe UK Growth Japan Pacific	£ USS Yen SWFR DM	—	£ 1,000	Dist.	5% initial (currencies—no charge) 1% annual	£25 admin. charge. Switches made bids-bids
Hill Samuel Int'l. Selection (Jersey)	Europe FE Nth America UK Int'l. Equity Int'l. Managed Int'l. Tech.	£ USS DM £ Bond SWFR Yen	Int'l. Bond £ Bond	\$ 1,000	Non-Dist.	5% initial (currencies—no charge) 1% annual	No charge
Mercury Offshore Sterling Trust (Luxbg)	Global Overseas UK Nth America Japan Europe Pacific	Cash	—	£ 1,000	Dist.	5% initial 1% annual Cash—0.125% annual	1% between equity funds. Switches into cash fund are free

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## The Private Client Department of Rudolf Wolff

Rudolf Wolff & Co Ltd, The Private Client Department, Freeport, London EC3B 3LQ. Please send me further information on Rudolf Wolff Managed Accounts.

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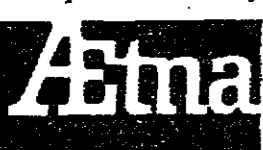
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## FINANCE & THE FAMILY

Bank services may be overpriced, says David Lascelles

# Shop around for money

THE BIG Four clearing banks, Barclays, Lloyds, Midland and NatWest, have just reported their results for 1986. They show a total increase in profits of 19 per cent to just of £3bn, a record.

The sheer size of that sum is eye-catching enough. But the results contain a special message for the millions who use the clearers' services: take a closer look at what the banks charge you for their loans and services, they may be overpriced.

Not that banks are earning too much: in terms of their return on capital they do worse than most manufacturing companies. But times are extremely good for bank managers at the moment, and one reason is that bank customers are not pressing them hard enough.

The great bulk of the clearers' profits last year came from their domestic banking business,

particularly from lending to individuals who still think of a loan as something that is "obtained" rather than bought.

People tend not to examine the price of a loan too closely, let alone compare its price with other sources of finance. This enables banks to charge rates of interest which bears little relation to inflation, their own cost of funds or any of the other usual yardsticks.

For instance, the cost of funds to the clearers last year was about 10 per cent on average. Yet the cheapest overdraft funds were in the mid-teens, with other types of loan rising well above 30 per cent. Some credit card and finance house loans cost closer to 30 per cent.

The clearers' results all showed that the return which they earn on their UK lending is about twice as high as it is on their international lending, where they are exposed to the

full force of world banking competition.

Even allowing for the banks' costs of running the business and setting a bit aside to cover bad debts, these margins hardly support the clearers' claims that competition in the high-street finance business is reaching new peaks of intensity.

Privately, some bankers will be honest enough to admit this. Although the building societies are muscling their way into the personal loan market, the challenge from that quarter is still small. Some department stores, like Marks and Spencer, have also begun to offer finance, but again not at a price that undercuts the banks.

So the banks are still best placed to benefit from the current consumer credit boom, and have responded in the classic way when demand exceeds supply: by holding up the price.

In our free enterprise society, there is nothing basically wrong with that—except that bank customers should not allow them to get away with it.

Bankers are helped by the fact that credit is not "price sensitive." Most borrowers calculate the cost of a personal loan only in terms of whether they can afford the monthly repayment, and are then deeply grateful to their bank manager for making the advance.

Many people are also quite happy to pay an extra few pounds on their credit card bills for interest, not realising that they are buying time at the rate of over 25 per cent a year.

If bank customers took the attitude that the bank manager should be grateful to them for bringing him business, rather than the other way round, that would be a start.

But if "shop around" was ever the best advice in finance, now must be the time.

## Computing the cost of divorce

THE PUBLICATION this week of proposals backed by the Law Society's family law committee for a computer-based system for calculating financial settlements provides little cheer for the 150,000 couples who will divorce in the UK this year.

Very many of them are destined to struggle through protracted wrangles over dividing the matrimonial home, over the amount of maintenance payments and other financial arrangements—with arguments and resentment which sometimes lasts for years.

They will emerge eventually from a traumatic, and all too predictable, process of upset, demands, claims and counter-claims which can leave families even more divided, and keeps hardworking divorce lawyers in the comfort to which they have become accustomed.

The discussion paper by David Green, a divorce solicitor, proposes that instead of the present rather general Law Society guidelines, which result in individual solicitors making up their own criteria, maintenance payments, for example, could be subject to a formal code.

This would convert figures such as the incomes of husband and wife and facts such as who will have the custody of children into a mathematical formula producing figures for all to see. There is little doubt that some kind of agreed formulae are likely to be a long way to defuse the present wrangles, which are created in part by the solicitor's clients on

both sides not knowing what they are entitled to and expecting to fight for whatever can be won.

This situation has been brought about in part by the lawyers themselves. They usually act, as they are trained to do, essentially for their client and what might be fair and sensible for both parties may never enter the picture. Even the wording of letters about quite mundane matters between divorce solicitors is frequently combative rather than on the lines of negotiating towards a settlement.

One change which has helped the situation is the rapid growth of the Solicitors Family Law Association, now nearly 1,000 strong, members of which work directly to achieve the most practical, and even amicable settlement possible, if the client will let them.

Some wise lawyers within and outside the association will ask clients to come back in a few months to deal with the divorce when they are in a calmer emotional state.

One of the principal difficulties about money in divorce is that, except for the very wealthy, there usually just is not enough to go round when one home becomes two. One or both partners may fall into difficult financial straits as soon as they separate, breeding worries and problems which do little to lower the temperature.

By the time the parties do seek legal advice there may be complicated financial problems

to solve which are made more difficult if they are not speaking to each other and their solicitors communicate with each other only by letter.

Behind all this is the reality that property and money are symbols and trigger points for deeper feelings and insecurities. Often, they represent inequalities of power or ability to earn within the marriage. For example, a wife who has always depended wholly or partly on her husband's income may have long resented having to ask him for money.

The spectacular Hollywood divorces, with highly-paid lawyers fighting over millions of dollars, are examples of these underlying attitudes.

There is no simple answer to this. But couples or individuals who allow themselves to be helped to trust and act responsibly, through in-court or out of court conciliation procedures, or marriage guidance counselling, can work through some of the emotional areas to deal more rationally with the practical and financial ones.

Couples do it, and sometimes amaze their solicitors and bank managers who are unused to the idea of a break-up without battles over the assets.

These problems are increasingly affecting couples who live together outside marriage where they buy homes and have children. The computer approach could help them too through different laws apply—to property, for example.

David Green admits that his proposals could take years to be adopted. In the meantime, the various ways in which divorce can be coped with to limit the financial and emotional damage will go a long way for couples willing to try them.

● Maintenance and Capital Provision on Divorce — a need for precision? Price £2 from the Law Society Publications Shop, 113 Chancery Lane, London WC2

Mike Strutt

Michael Strutt is co-author, with Dr Chris Beishaw, of *Couples in Crisis* — a guide to coping with divorce (Gollancz £4.95).

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## When cuts hurt

A CUT in interest rates—widely expected after the Budget—may be good news for industry and homeowners if mortgage rates come down as well.

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John Edwards

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**Solution Page XXI**  
**Leonard Barden**

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## FINANCE &amp; THE FAMILY

## Hold certificates safely

I have recently retired having been sum invested by a financial adviser in a spread of income bearing Unit Trusts and an insurance property bond. In all cases I have only the contract notes sent to me and not the certificates. The various Unit Trusts send me the income direct at my home address. Should I not hold the certificates? You would be wise to ensure that all the certificates are in safe keeping. If they are not held by you their whereabouts should be ascertained and receipts or some other acknowledgement that they are held for you should be obtained.

## Appeal on VAT charge

A two-storey gable wall on my house, which is listed Grade II, has been taken down and rebuilt. For this Listed Building Planning Consent had to be given. The wall was of stone with earth infill. It is now a cavity wall of breeze blocks rendered. Two windows have been altered and enlarged from 16 sq ft each to 28 sq ft each. The VAT office maintains that this is a repair and not an alteration and therefore is not zero rateable. It is admitted

that the wall was originally in a bad state. Is this reasonable, and if it is not is there anyone to whom I can appeal?

In relation to listed buildings alterations for which listed building consent is necessary are zero rated. Such zero rating does not include works of repair or maintenance even though they are included in the listed building consent.

In your case you should argue that the wall is different from the original wall because it is a cavity wall and also that the sizes of the windows have been increased. The argument is that because the wall is different the change cannot amount to a work of repair and maintenance. If the VAT office does not agree and fails to give you reasons which you find satisfactory you can appeal against its decision. An appeal lies to the VAT tribunal which is independent of the VAT office. Your local VAT office will give you a booklet explaining the appeal procedure.

## Interest withheld

While engaged on a temporary contract abroad, I let my main residence in London



through agents. They informed me part way through the let that, until I formally established exemption from tax, they were liable under the Taxes Management Act 1970 as managing agents for tax on profits made by overseas non-resident landlords. They therefore deducted from May 1984 amounts calculated at the standard rate and "recorded these in a separate tax account in the name of the individual landlord."

It has taken some two and a half years to establish my tax position, but the agents have now accepted to release to me the money they hold in the tax reserve. I have asked them to credit me with interest on the sums held in this reserve, and indeed, had notified them in earlier correspondence that I would be expecting this. They have now replied: "With regard to interest on these monies, I regret to inform you that it is not company policy to pay interest on monies withheld by us." Is there not an obligation on

estate agents and the like to pay interest on clients' funds? We can see no sound basis on which interest can properly be withheld from you. The sum was held in a separate account which must have been in the name of a trust account, with you as the beneficiary.

## Seals for covenants

My granddaughter was born in March 1986 but there was some delay in choosing her name, which I learned only on April 4, so that the completion of a Deed of Covenant was urgent. I did not have a standard covenant by me and composed the wording from memory. The inspector demurs and rejects the covenant as invalid. My impression of the validity of a legal document is that the intention of the agent should be clearly expressed and the document witnessed, as in this case.

All that is missing are the words "Sealed and delivered," for the document was immediately delivered to the inspector. The Seal, it appears, may be "popularly" omitted, so it is a small extension to omit the word. Should I appeal further against this ruling, which seems petty? English law (unlike Scots law)

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

has a superstitious regard for seals. Without a seal, the document which you signed on April 4 last year does not impose any legal obligation upon you; you can default without any fear of being sued. Since you are under no legal obligation to make the promised yearly payments of £170, your undertaking to do so is revocable at will, and you are caught by section 445 of the Income and Corporation Taxes Act 1970 (revocable settlements allowing release of obligation). This is not the full explanation, but no doubt it will suffice to persuade you that there is no point in arguing with the tax inspector. The reason why sealless covenants are quite often accepted as legally enforceable if the attestation clause includes a statement that sealing has taken place is merely that the Courts are reluctant to assume that a signed and witnessed statement is false. In the absence of evidence that sealing did not in fact take place, therefore, the Courts presume that a seal was affixed but subsequently fell off. At it appears to be becoming commoner for people to be prepared to put their signatures to false statements that documents have been sealed, English Courts may well adopt a less indulgent attitude towards purported deeds which carry no physical marks of ever having had a seal affixed to them.

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Early action can save CGT bills, particularly if you spend time abroad

APART FROM providing a company with money for expansion a stock market flotation also gives the hard working shareholder a chance to cash-in on some of the value he has created over the years.

Although profits from the sale of shares are normally chargeable to capital gains tax there are a number of ways in which CGT can be mitigated by the far-sighted shareholder who is properly advised and takes early action.

Taking a theoretical example, Bob Jones started his own company, XYZ Ltd, in 1982 with £10,000 of share capital. By 1986 XYZ has become profitable and Bob is advised to transfer 30 per cent of the shares into an "accumulation and maintenance" trust for the benefit of his three children while the value of XYZ's shares is still relatively low.

The 30 per cent of XYZ is estimated by his accountant to be worth £100,000 but no tax at all is payable on the gift to the trustees. This is because the capital gain of £97,000 (ie £100,000 less the original cost of 30 per cent of £10,000 and ignoring the indexation allowance) can be "held-over" by the trustees so that no tax is paid until the shares are sold or the UK trustees are replaced by non-UK resident trustees.

The gift is also exempt from inheritance tax although there may be a charge on Bob's estate if he dies within seven years. Bob is advised that the present favourable inheritance tax regime could be the first casualty of any future change in Government and that he should make gifts now, if it is at all feasible.

The accountant's valuation of £100,000 for a 30 per cent shareholding will need to be agreed with the Shares Valuation Division of the Inland Revenue in due course. There are several factors to take into account in calculating share values such as the dividend record (if any), recent profit levels, net assets and the price of shares in comparable quoted companies.

An important consideration is the size of the shareholding being valued. Minority shareholdings will have a significantly lower value per share than controlling shareholdings of more than 50 per cent but most important of all is the fact that shares in unquoted companies tend to have much lower values than shares of quoted companies. Hence the advantage of taking early action.

XYZ's profits continue to rise and a stock market quotation looks likely for the autumn of 1988 depending upon market conditions at the time. During the tax year 1987-88, and in anticipation of the flotation, the UK trustees of the accumulation and maintenance trust are replaced by trustees resident in Jersey. This action triggers the "held-over" gain of £97,000 on which capital gains tax of £29,100 will be payable by the trustees on December 1 1988.

Stock market conditions in autumn 1988 prove favourable and the flotation of XYZ is a great success with heavy oversubscription for its shares - it is capitalised at £3m. Bob decides to sell £1m worth of his shares, on which CGT of some £300,000 will be payable.

The Jersey trustees of the accumulation and maintenance trust sell half their shares in XYZ (ie, 15 per cent) for £450,000 and this is received free of all CGT because the trust is now resident in Jersey for tax purposes. The tax payable of £29,100 on the "held over" gain can now be funded out of the sale proceeds.

In January 1989, Bob's eldest son Oliver decides to work in Hong Kong for two years. This event prompts the trustees of the accumulation and maintenance trust to distribute Oliver's share of the trust funds to him, particularly as this will mean that any cash can be paid free of all tax while Oliver is a non UK resident.

The early 1990s find Bob Jones in a restless mood and he decides to leave the UK for Spain's sunny shores. He emigrates in March 1991 and sells his remaining XYZ shares, are now worth £2m, after April 5 1991. The £2m sales proceeds should be free of UK tax provided Bob stays out of the UK for at least three tax years, does not return for more than 90 days per year and does not retain a home in the UK.

Overall, Bob and his family will have received £3,450,000 from the sale of XYZ shares, and paid a mere £329,100 in CGT. This ignores the shares still held by the Jersey trustees and the shares distributed to his son Oliver. Had Bob taken no avoidance action whatsoever, the tax bills would have amounted to £1,035,000.

"Tax Aspects of Going Public," by David Cohen of Paines and Co, and John Power of Touche Ross, price £5.50 is available from *Chartered Books, The Institute of Chartered Accountants in England and Wales, 399, Silver Street, Central Milton Keynes, MK9 2HL.*

John Power

I AM indebted to José Le Dentu, whose articles I enjoy so much, for this hand from a rubber:

N  
♦ J 10 9 5 3 2  
♦ A 7 5 4  
♦ A Q 7  
W E  
♦ Q 8 6 4 ♦ A 9 6 3  
♦ 10 8 6 2 ♦ K J 5  
♦ Q J 8 7 4 ♦ A K 10 3 2  
S  
♦ K 7  
♦ K Q 10 8 2  
♦ 9 4 3  
♦ 9 6 5

East dealt at game to East-West and opened with one club. South overcalled with one heart. West raised the clubs, North said two spades, and East jumped to four clubs. After two passes North bid four hearts, and East's double closed the auction. West led the queen of clubs.

If South ruffs in dummy and returns a spade, East wins and forces dummy with another club. A spade is led back, East ruffs, the spade suit is a frozen asset, and with the king of diamonds outside South goes down.

The declarer, however, foresaw the possible 4-1 spade break and avoided all danger by superb play. He jettisoned his king of spades on the ace. The defence was helpless. A club return was ruffed on the table, trumps were drawn - the finesse was marked - and the seven of spades was led to concede a trick to the queen and set up the rest of the suit.

West can, of course, cash a club trick but that is all. The defence take just two spades and one club.

The unblocking of the king of spades is a surprising safety play. Instead of the more usual loser-on-loser play, the declarer prefers a winner-on-loser play. I wonder how many players would spot that winning line. West should not have done. Five clubs has much more to recommend it.

The declarer who played the next hand did not show the same foresight:

N  
♦ K J 9 6 2  
♦ 4  
♦ J 9 8 6 4 3 2  
W E  
♦ Q 8 5 3 ♦ A 10 4  
♦ A 10 5 ♦ 3 2  
♦ 9 7 6 2 ♦ 10 8 5 4 3  
♦ A 7 ♦ K Q 10  
S  
♦ 7  
♦ K Q J 9 8 7 6  
♦ A K Q J  
♦ 5

West dealt at game-all. South opened the bidding with two hearts, and went four hearts after his partner's response of two no trumps. The ace of clubs was led and a second club was ruffed in hand. The declarer played his king of hearts. West won with the ace and switched to the three of spades. East took his ace and returned the king of clubs. South ruffed with his knave of trumps and West rightly dis-

trump and East held the ace of spades, which would allow him to obtain the lead and return the king of clubs.

After ruffing the second club, South should play his ace of diamonds - that adds to the piquancy - and ruff with dummy's solitary trump. He then leads the knave of clubs, East wins, and South discards his seven of spades. This delightful loser-on-loser play cuts the enemy lines of communication.

E. P. C. Cotter

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FT 73







## PROPERTY



Joanna Thorp in the show flat of Perlon Properties' development at 19 Green Street, London W1

## The decorator's dilemma

Clients so often make the life of an interior designer far from easy, says John Brennan

IT IS far easier to deal with a man at the end of a telephone than with a woman in her own house," Joanna Thorp of Thorp & May reflects upon the interior decorator's dilemma.

Private clients account for much of the interior designers' business, and there are, no doubt, quite a few individual homeowners who have clear ideas about what they want when they call in professional help. But mention "private client" in the hearing of designers when they are not on duty and the conversation inevitably turns to tales of customers' vague instructions, their perpetual changes of mind, and their tendency to neglect to put agreements in writing so that jobs run on endlessly while designer and client argue about details.

Developers looking for show flats, or residential funds needing flats prepared for renting, make far more business-like, if not always ideal, clients. "The designer is always the last person to be called in," says Thorp, "and it is always our budget that is the first to get cut."

Budgets to deck out a show flat can run to £25,000 or more these days as competition has forced developers to concentrate more on presentation in a market where there is a plenty

ful supply of luxury properties and increasingly selective buyers.

"People have so little imagination when they see bare rooms that it is necessary to show what a place can look like if it is to sell," says Thorp. "And to save stretching those limited imaginations too far, show flats go well beyond the fitted kitchens, bathrooms, rag-rolled walls, and curtaining of a few years ago. Most now include everything from paintings on the walls to all the furnishings, from appropriate magazines on the occasional tables to great clumps of dried flowers lounging decorously in antique vases."

Because of the cost of all this instant high life, the paintings and furniture, the knick-knacks and little objets d'art that are so carefully scattered through show flats stay in place only if a property is being bought fully fitted as an investment for rent. Otherwise, they head back to the stock room unless prospective buyers browsing through the flats take a fancy to the pieces and buy them individually. Look behind the surface in a show flat and you'll find discreet little price tags on all the bits and pieces. The flats have become sale rooms in exile for the designers' own antique businesses, or for associated businesses who allow their stock to become developers' props.

In deciding how to decorate and fit out property, Joanna

Thorp explains that there is little real hope of being able to come up with a look that will appeal specifically to the people most likely to buy the place, since no one really knows who they will be. "The agents may have a general idea, but you really have to work around the building in each case. There is no set formula. You just cannot forecast your end-buyer."

Inevitably, the people who do end up buying don't always like the look of their new home. "We are very often called in to re-do a flat by someone who has just bought," says Thorp, "and that can be a bit hurtful. But it is usually that they don't like a particular colour or a particular fabric."

Thorp & May stick to a traditional English style ("that never really goes out of fashion") and in their latest job, the show flat of a Perlon Properties' five-apartment redevelopment at 19 Green Street, W1, there is the space to apply that style with effect.

There is also an evident need to be able to show viewers how these 883 to 2,002 sq ft, one-to-three-bedroom flats might look as completed Mayfair homes. Joint agents Beauchamp Estates (01-499 7722) and Savills (01-730 0822) are asking from £150,000 for a one-bedroom flat to £252,000 for the penthouse, yet the properties have Grosvenor Estate leaseholds with only 34 years to run.

The shortness of those leases does "wipe out interest from the

Far East," admits Savills' Francis Hilton, "because they have first hand experience of short leaseholds in Hong Kong, and so they prefer to look for 90 or 125-year leases." But since the Grosvenor Estate is always "open to conversations" about lease renewals, Hilton doesn't think that the lease terms will deter City buyers looking for a flat in the heart of the West End.

If the idea of getting your own property up to show flat standards appeals, it can be dauntingly expensive. According to Joanna Thorp, fitting out a small family house—down to the cutlery in the drawers and linen on the beds—would now cost at least £50,000. Doing the job on your own might well cost more, since professional decorators are able to bulk-buy carpets, tiles and all the standard elements of a refitting job.

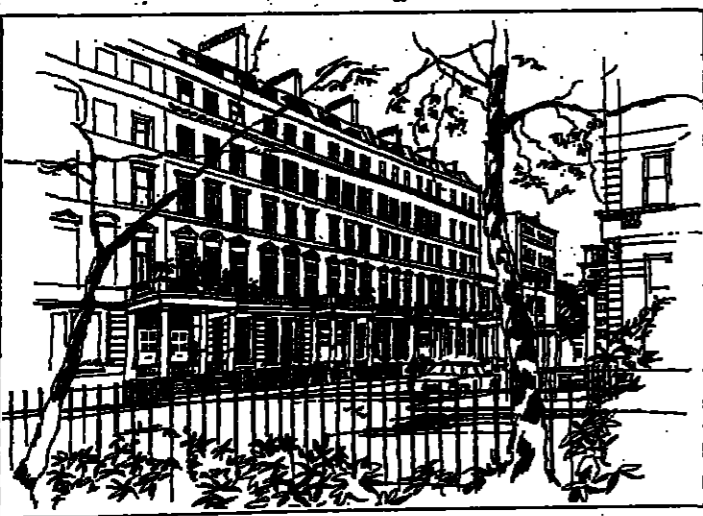
Choosing a designer to make sense of your own random accumulation of room styles and decorative compromises can be difficult if you do not spend your time viewing the show flats. But there is a central register of professional interior designers held by The Chartered Society of Designers, at 29 Bedford Square, WCL.

More than 1,500 of the society's 8,000 members do interior work, and if you write in—or telephone (01-631 1510)—explaining the kind of project you have in mind, the society can provide the names of a number of designers who may be suitable.

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Weekend FT Property Pages

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## DIVERSIONS

From clothes to tights to fabrics... how to succeed  
in business by really trying

## Three women with the Midas touch

### Cashing in on a cult

WHEN Marilyn Anselm opened her first shop back in 1970 she did it for the simplest of all reasons—"I wanted to make money. My husband was working with computers, which he hated, and I hit on the notion of opening a shop so that he could do something he liked. I now think that's the best discipline there is. I had to be very strict with myself and with the buying."

She must have got something right because today her small but growing chain has a strong cult following among discerning dressers. In London and Bath and Manchester—in Croydon, Guildford and Richmond, Hobbs fans snap up this season's perfect sweater, the toning skirt (in two different lengths), the boots (ankle-length or knee-high), the belt—and all at a price that wouldn't buy you one designer number in a smart store. It's the nearest British equivalent to Paris' ineffable Agnès B.

The look Hobbs purveys is timeless, classic, English, yet far from dull. The name (which Marilyn Anselm found in Horse and Hound) says it all. You will find no pyrotechnics at Hobbs. No chainmail rompers, or sock-it-to-them colours. Instead there are soft jerseys, fine gabardines, pure cotton classic colours like navy, ecru, taupe and grey. They are clothes to suit anyone from 13 to 70.

Though the basis of the look is classic—with skirts and trousers, shirts and tops, all just somehow slightly adapted to suit the season's look—there is always a selection of what Marilyn Anselm calls clothes for fun.



Hobbs: from jacket to skirt to skirt to belt and shoes, one strictly edited concept

This spring, for instance, there is a range of looks to choose from. There's a gabardine Edwardian jacket that could be worn with a long Edwardian skirt, or with a skirt that sits just below the knee. But lurking among the classic tops is a bustier which gives the whole thing quite a different air—insouciant young, up-to-the-minute. Nearby there will be some leggings. Each and every customer can put the whole look together in a totally individual way.

The final finishing touch is that nearly, too, there will always be the shoe or the boot that works with that season's clothes—there, under one roof, the fashion-conscious with little time or a less-than-sure eye can come away with a total look.

The whole venture is now clearly completely vertically integrated that is, Marilyn

controls everything from the design through the manufacturing and onto the retailing. When she started Marilyn had to sell what she could find. Today 95 per cent of what she sells is designed completely by her and made for her to her own very strict briefs by a small band of loyal manufacturers. From small factories from the North of England to shoemakers in Rimini come the sweaters, the shirts, the tailoring, the shoes—only the belts and the bags are still bought in today.

It is the vertical integration that is the secret of the prices—shoes are seldom more than £40 a pair, sweaters hover around £40 (for pure wool) and the most expensive item in the shop is about £130 (for a detailed pure gabardine fitted peplum jacket and a wonderful double oilskin mac).

Today Marilyn Anselm and her husband Yoram (he who didn't like computing) still own and run the group themselves. They've had lots of takeover offers but they've still a long way to go yet. Hers is the personal taste and aesthetic sense behind it all—she provides the strictly edited concept, the totally integrated look. He offers the financials and managerial skills. Between them they own ten shops; they see themselves opening about five or six more (two open soon in Kensington and Kingston) and then the way to further expansion probably lies in mail order.

It's hard to see where it will all stop, for this one woman's personal taste and style seem to offer to so many others exactly what they always wanted and thought they could never find.



Marilyn Anselm in this season's new, shorter skirt

### Putting best feet first

WATCHING a smiling Sophie Mirman at the opening of her 43rd Sock Shop last week, it was hard to believe that just four years ago she (and her husband and partner, Richard Ross) were so desperate for finance that they were offering up to 49 per cent of the equity in their proposed new business for just £45,000.

"Luckily," says Sophie, "we found no takers. This meant we had to find the cash on our own—we got it from a government loan scheme—and so today we still own 100 per cent of the business."

As last year's turnover was more than £5m (with profits of about £250,000), and this year they expect to double both, it has turned out to be a bit of bad fortune that will have saved them millions.

"We started the Sock Shop because we had this clear idea that it ought to be much, much easier for people to buy tights. Socks and tights are an everyday item and yet to get a decent selection or to find a particular shade women had to make a special journey to a big department store."

"We had been with the Tie Rack, which we had helped get off the ground, had seen similar concepts work in the States and were convinced from the start

that it would work. "We thought that if it didn't work one of us would have to get a job—whoever could find one first would take it. We thought that if it became very successful we'd have a chain of four shops. If exceptionally successful, we might even go up to six shops."

"We started our first one in Knightsbridge Underground station. We manned it ourselves, my bicycle was chained outside and if I sold more than half a dozen pairs of anything I'd have to cycle off to the wholesalers to buy some more."

"We were lucky—we worked from day one. In fact our biggest worry turned out not to be lack of sales but how to work the till. Neither of us knew how."

"We soon expanded to more shops in underground stations but we had to work terribly long hours. We ran the shops ourselves, ordered the stock and delivered it ourselves. We used to have to check at the end of the day what had sold, go round to the warehouse and parcel it up and deliver it to the shops before they opened the next morning. At weekends we did the books."

"Now we have a fleet of four vans and 40 people in the stockroom."

"To stock the original shops I just had to buy what was available but now with 43 shops and more opening all the time we have much more buying power

and about 70 per cent of what we sell is exclusive, made to our specifications. It is also our buying power that enables us to keep prices down."

"Many of the tights we stock—like our plain cotton ones at £5.95 which are currently so fashionable—could only otherwise be found in a very few, exclusive outlets at much higher prices."

"When we came into the market it was very dull. I'm still amazed at how unenterprising most of the manufacturers are. Few contacted us to ask if they could supply us and do something special for us. If we ask them they murmur that they've never done and they don't think they can do it."

"Now that we've got a small daughter I've seen how dull most children's socks are and I've produced a range of special ones in pure cotton for children."

"Today I run the design and merchandise side, while Richard, who is an accountant, is in charge of the property—we are always looking for new sites; we think probably our optimum size is somewhere between 150 and 200 shops. He also deals with all the financials and we both look after the personnel side."

"To anybody who wants to do something similar, the chief thing I have to say is: it's hard, hard work, but if it works it's very well worth it."



### Churchill's England

IN YOU don't live in London, Kingston or Bath, it is still just possible that you might not have heard of Jane Churchill. But if you haven't, I can guarantee it won't be for long.

Jane Churchill (the company) was started just four years ago and, like the two other ventures I have looked at here, was a wow from the start.

The concept, like all the best ones, looks so simple in retrospect—to provide a traditional, gentle, English country house look at very accessible prices.

It was to be more "upmarket," if you like, than Laura Ashley—more sophisticated,

less rustic and less artless—yet nothing like so grand as, say, Colefax and Fowler.

It was to be traditional in the sense of combining easily and well with the things that most people already had, and yet it had to look fresher, less dowdy, more contemporary than authentically traditional fabrics and papers. It was a gap that nobody else had filled properly.

### Jane Churchill with her own collection of carefully co-ordinated fabrics and wallpapers

Although Erik Karlsson, a South African with experience in the retail field, and designer Robert Adamson had the original concept, they felt it could not be made to work without somebody like Jane Churchill who knew the market inside out and had an established interior design business on which they could build.

She quickly became enthused and the three of them raised the money (mainly from friends) to start the business. From start to finished wallpaper and fabrics, and the opening of the shop, took just six months.

In April, 1983, Jane Churchill opened in Pimlico Road, south-west London, with a complete range of fresh, usable, interesting related fabrics and wallpapers at astonishingly reasonable prices. Fabrics started at £7.95 and went up to £9.95 (this for polished cotton is quite something) while wallpapers all sold (and still do) for just £6.50 a roll. Prices were marginally higher than Laura Ashley but the look was a lot more exclusive.

Its chief charms to those, like me, who bought it, were that it had that matchless way of looking unforced and "undesignery"; and that, because

they had concentrated on a limited range of colours, there was, within each colour range, a vast choice of co-ordinating borders, papers and fabrics. It could hardly have been easier for the would-be decorator to use the collection to create a very individual look.

The first day was an anxious business—nobody came through the door at all except a friend with a bottle of champagne to check the till. It hadn't been opened all day! From the second day, however, it began to take off, and since then the shop has been moved to 137, Sloane Street, a much more convenient and accessible address, and new shops have opened in Bath and Kingston.

The range has been expanded so that, today, a much more complete range of furnishings can be bought—all in the same fresh, country, pretty mood. There are lampshades and bed linen, sofas and chairs, coffee tables and console tables—all designed to fit in with the things that people already own.

Prices are still good (fabrics and wallpaper prices remain unchanged) and, for the moment, the plans are to increase steadily the product range and to open more shops, with an optimum number of somewhere between 50 and 60. The concept will remain strongly focused and unchanged—the Jane Churchill image has found a niche and intends to stick with it.

### Food for Thought

## Remember your roots

ARE YOUR thoughts running ahead of you into the spring? As you leaf through those cross-Channel timetables again and spring seems always just around the corner, you might be tempted to think about spring and summer foods. Think about them, yes, but remember your roots.

Eating roots in winter seems a primitive and humble thing to do. It might make you feel at best like a medieval peasant, at worst like a hibernating badger. "Grubbing for roots," and "rotting" have a primitive-sustenance sound about them, quite unlike any other kind of food-getting.

Potatoes apart—and I have grumbled on about potatoes before on this page—I suspect that most people can manage very nicely without much in the way of roots. We eat quite a lot of carrots, which seem to be the first thing that most of us think to plant in the kitchen garden. But then, they look so pretty growing with their great feathery spray of leaves. And apart from radishes which are too food, anyway, there is nothing else quite so good to pull out of the ground and eat like confectionery as you stroll round the garden.

But talk of root vegetables and the host sinks at the monstrous race of swedes, turnips, beets, yams and the dreaded parsnip. Some people are so fond of the taste of parsnips, of their gross and insufferable sweetness, that they make parsnip wine to the presence of, this



detestable root to the cocktail cabinet. "Fine words, butter no parsnips." Couldn't agree more, waste of butter as far as I am concerned. The French, who know a thing or two, haven't acquired the habit of eating parsnips and I don't think many other nations have. In fact, there is a strain of little Englander patriotism in the whole business of liking parsnips and making wine out of them and so on.

Similarly, patriotic Scots trumpet their liking for swedes which, as "bashed neeps," are the correct accompaniment to haggis. The rest of the world (except the dedicated team who prepared my school dinners) regards the swede as winter animal fodder.

The flavours of root vegetables may all be fairly similar but they are not the same, and there is pleasure to be had by serving them together and encouraging a bit of detective work.

Carrots will always assert

their unmistakable colour, but a jumble of cooked roots—potato, turnip, Jerusalem artichoke, celeriac—will provide a hotch-potch where everything looks roughly similar but every mouthful tastes surprisingly different from its neighbour.

This game of "guess the flavour" appeals to those restaurateurs who like to give you a puree or a custard or even a soufflé with one of these flavours—always so familiar when the great steaming root is dumped onto your plate, so infuriatingly difficult to pin down without a visual clue. Beetroot is another thing, it is quite difficult to buy uncooked, and when sold cooked it is almost always drenched with vinegar. A Martian visiting these islands might well believe that beetroot—like cockles and winkles—comes into the world tasting of vinegar. Why it should be assumed that people who like beetroot also like vinegar is a mystery.

Served on its own, boiled till tender and chopped up with a mustard salad dressing while still warm, beetroot can be exceptionally fine: the nicest root of all. Beetroot is nice but very assertive—its purplish stain will dye anything that accompanies it. This is not, however, the reason for the "Beware—dangerous beetroot" signs which are such a mirth-provoking feature of minor roads in northern France. Squashed beetroot on the road is as bad as black ice.

Peter Fort

### Cookery

## Feast on fish for Lent



serving. Sprinkle the thin slices with little salt, sugar and tarragon vinegar and leave for 30-45 minutes before draining and patting dry. The fish should be brought to table ready prepared for lazy eating—skinned, filleted and neatly reassembled in the kitchen as close as possible to serving time.

There should be plenty of good brown bread of course, sliced very thinly and spread with creamy butter, and a bowl of soured cream or Greek yoghurt into which a little Dijon mustard or freshly grated horseradish has been stirred for extra bite.

If the weather plays foul I would precede the trout with pure chicken broth, served piping hot in delicate china soup cups and saucers. For finer weather I might choose instead fresh invigorating glasses of trail-squeezed blood orange juice.

Smoked haddock is less usual for a salad but every bit as good. Poach the fish, flake it and lay it on a generous bed of grilled and skinned strips of red pepper. Dress fish and pepper with plenty of good olive oil and coarsely ground black pepper, just a little salt and a hint of lemon juice. Leave to marinate for several hours before draining and serving.

I like to accompany this with a big bowl of crisp watercress and lots of crusty bread (French or soda) that has been warmed in the oven. If I am feeling particularly greedy there might be a bowl of light mayonnaise as well—I mean rich home-made mayonnaise lightened by beating in some soured cream or yoghurt.

As for hot smoked haddock luncheon dishes, I am very fond of Haddie and Eggs (smoked haddock topped with poached eggs) which is really a Scottish high tea dish I suppose.

I love too what I call smoked haddock Florentine, but which is only Florentine in as much as the poached fish is laid on a bed of fresh steamed spinach. Instead of the usual blanket of cheesy sauce I cover the pair with Hollandaise. Rich and delicious.

Omelette Arnold Bennett is another good lunch dish, gratifyingly quick to make and the best way I know of using up a very small quantity of leftover cooked fish. Just three or four tablespoons of flaked fish are enough for two people.

Warm the fish gently in a generous budget of melted butter. Add it to four lightly beaten eggs, together with some coarsely ground black pepper, a tablespoon of freshly grated Parmesan cheese and a pinch of salt if needed. Turn the mixture into a hot buttery omelette pan and cook in the usual way until the egg is set underneath, but still liquid on

top. Sprinkle on a tablespoon of chopped chives, pour on three or four tablespoons of soured cream, then dust lightly with Parmesan and bread-crumbs, and flash the omelette briefly under a hot grill. Serve straight from the pan, cutting the omelette in half.

More soothing and warming than this is a substantial soup of smoked haddock with leeks, bacon and prawns, which is based on traditional Cullen Skink.

To serve three as a main course I allow nearly 1 lb smoked haddock. Put it into a pan with half a pint each cold water and milk, a bay leaf and some parsley stalks. Bring very slowly to simmering point, cover and set aside for 10 minutes. Then strain and reserve the liquor; flake and flake the fish. Soften a small finely chopped onion in some butter. Stir in a scant 1 lb diced potatoes and pour on the fish liquor. Half cover and simmer until the vegetables are very tender. Reduce to a smooth purée.

Return the purée to the soup pan. Add the flaked fish and 2 oz of cooked and peeled prawns, and set over a gentle flame to warm through while you fry a couple of streaky bacon rashers that have been cut into snippets.

Slice a leek (tender green parts as well as white) so finely that the leaves fall into ribbons. Add the leek to the bacon pan and stir until every shred glistens with fat. Cover and steam-fry for a couple of minutes, just shaking the pan occasionally. Add the contents of the frying pan to the soup and stir gently to mix everything well. Season with black pepper, add a little salt if the soup needs it, and serve garnished with fresh chopped parsley.

Philippa Davenport

## DIVERSIONS

Lucia  
van der  
PostThe agony  
and the  
painful  
ecstasy

IF HEALTH WARNINGS worked we would all be living in a smoke-free zone, the tobacco companies would have gone bust, and the government's revenue plans would lie in ruins. As it is, the weed, although on the wane, is with us still and smokers seem to need something more to make them take the fateful step.

I have discovered what it is—a challenge. Take an office (the one adjoining mine) full of hardened smokers. Take an ardent anti-smoker (me). Suggest challengingly that there is an extremely difficult assignment ahead—to see who can give up smoking by trying one or other of the available methods.

Two months on and the air is (nearly) sweet (if a little smug), the coughs reduced to a trickle, the strays gone.

If you have found, like Mark Twain, that it is perfectly easy to give up smoking—why, you've done it hundreds of times—read on. Here is how they (nearly) all did it one last time.



## Cold turkey

By Michael Thompson-Noel

HER NAME was Eucalyptus. Candlelight moulded her alabaster shoulder and flecked her irises with splinters of pearl. A breeze stirred the drapes. Her breathing had slowed. She lit a cigarette and handed it to me. Its filter tipped with crimson, I grasped it sensuously—my last cigarette! Well, now, I have often fantasised on the where, when and how of that marvellous moment—shot through with melancholy—when I jettisoned cigarettes. Just imagine, my brain cells have told themselves: from the moment he stops smoking, this hunk we inhabit will be pure and whole again; what a ravishing experience.

But real life isn't like that, particularly for a middle-aged heavy smoker who decides, like me, that the best way to quit is to go cold turkey: to cut the habit dead without benefit of counselling, acupuncture, hypnosis, or any of the aids and props on which weaker souls rely. But as I am discovering, to cut the habit dead is to venture in the void on a grim and horrible journey.

To guide me across the abyss, I cast in my lot with an excellent booklet—*So You Want to Stop Smoking*—from the Health Education Council (HEC). To stop smoking takes time, it says, but it can be done. There are four stages: 1—You think about your reasons for stopping. 2—You prepare to stop. 3—You do it. Just stop. 4—You work on staying stopped.

Stage 1 can take anything from a few days to a few years. Stages 2 and 3 can be over in hours or they may take weeks. Stage 4 is vital. It may be some months before you can be confident that you will never want another cigarette. If you get to stage 4 and then slip back, says the HEC, just start again from the beginning. Many people have to try a few times before they stop smoking for good.

To help you through stage 1—thinking about stopping smoking—the HEC briskly summarises the obvious gains. Right away, you'll be free of a costly habit. You'll smell fresher, will be healthier, and you'll be free of the worry that you might be killing yourself.

Stage 2—preparing to stop—is all about breaking the habit. Some people find it helps if they cut down on cigarettes before they actually give up. But don't look on cutting down as an alternative to giving up and don't do it for more than a couple of weeks.

Get some help—ask friends and family for support—and pick a day when you are going down to the beach. The day stress, says the HEC, "The day before, get rid of all your cigarettes, ashtrays and lighters."

So, I picked a day—January 25—which fell smack in the middle of a two-week holiday. This was sensible. Like most smokers, my craving for cigarettes zooms out of control the moment I reach the office—the people! the noise! the pushing and politeness!

My "last" cigarette was a tame affair. There was no Eucalyptus, no crimson filter tip, and no satiation. I smoked my "last" cigarette at 7.31 pm on January 24, in the sanctuary of my own kitchen.

Twenty-four hours later, I was quivering with irritation. I had cramp-like tremors and brooded horribly. What a trick life was! What a wretched conspiracy! The second day was worse, although I still didn't weaken—at least not until dinner, when I smoked a cigar. On day three, January 27, I smoked several cigars and numerous cigarettes.

By the time I returned to work on February 2 I was putting away my misery. I was expansive and happy, although I had at least changed my brand. Instead of Marlboro I was buying Silk Cut, which are considerably weaker.

But I was wracked by guilt, so I planned a new date for stopping. My new date for stopping was February 8, a Sunday. Again I smoked my "last" cigarette in the quiet of the kitchen. The first day was horrible, the second far worse. By then I was back in the office, like a hamster on his treadmill—the people! the noise! the chronic over-crowding!

At present my smoking is limited to a cigar now and then, to ease stress or celebrate good tidings. It is very hard work. But I know it will be worth it.

Health Education Council, 78, New Oxford Street, London, WC1A 1AH.



## Hypnotism

By Barbara Gunnell

I'M STILL not sure how I became a non-smoker but, having tried and failed so often before, I do know some of the things that have made the difference. This most important difference is that a few weeks before stopping I visited a hypnotist and though I didn't (and still don't) feel the hypnosis worked it would be unfair to deny a possible link.

The hypnotist—a very pleasant and totally uncranky woman—started by taking a detailed personal history. Her aim, she explained, was to find why my subconscious (right brain) wanted to smoke and why it resisted all arguments and persuasions to stop from my rational conscious mind (left brain).

She did not specialise in smoking but had treated smokers before. She thought the chances of success were 70-80 per cent and that if the treatment failed this was likely to be the result of a deliberate decision by the client to go on smoking. For example, one client had discovered under hypnosis that smoking was his one anti-social act in an otherwise exemplary life of service to others. He chose to go on smoking rather than channel his anti-social energy elsewhere. I rather hoped that I was not going to pay £20 a session to discover that my subconscious was stuck in a similar rebellious mode.

The first session was pleasant and initially relaxing but I was



The man who said he would give it up AGAIN tomorrow

Confessions from a  
smoke-filled room

## Chewing gum

By Malcolm Rutherford

I FAILED. The main reason must have been that I did not try hard enough.

There were others.

Chewing gum is an acquired taste. It is anti-social. It is very difficult to dispose of. It destroys the taste buds. It sucks out fillings from the teeth and has led to visits to the dentist.

However, it is very cheap—11p for two days' supply. Chancellor Lawson should put a tax on it. It also begins to work overtime. You begin to reach for it in the way that you used to reach for a cigarette.

The best approach seems to me to spend more time in non-smoking areas—like theatres, the House of Commons and, increasingly, other people's houses. Smokers are being squeezed out, and I do not object.



## The Easy Way

By Tim Gopsill

THERE ARE a million hard ways to do anything and one easy way. I have found The Easy Way to Stop Smoking. It cost me less than £3 and I bought it in a bookshop.

It is, in fact, called *The Easy Way to Stop Smoking*, by Allen Carr, newly published in paperback. At the same time as reading it I have, as it happens, given up the weed. I do not want to make any grandiose claims, for the book or myself. Let us take things a step at a time.

British Hypnotherapy Association, 1 Wythburn Place, London W1. 01-723 4453.

Over the years (about 25 in my case) I have tried many of the hard ways: cutting down on cigarettes or trying not to buy any; chewing gum or sucking sweets; and a few half-hearted stabs at cold turkey—or what Carr derisively calls the Will-power Method.

All are doomed to failure, as he explains. All are agonising—because they rest on the assumption that you still need the drug.

Cutting down means that those cigarettes you do smoke are so much more precious. You inhale more deeply. Between them, you suffer the pangs of every smoker when he or she needs a fix, magnified by time and intensified desire. You suffer in other words, for nothing: building up for yourself the stress which you habitually relieve with a smoke.

Substitutes of whatever kind, rest on the same assumption. Whatever you might chew or suck, you are simply reminded that what you really want to do is smoke. More stress.

I have tried being scared, religiously reading all the reports about the health risks. I have even made a point of reading the health warnings on cigarette packs and have tried to think about what they mean. But, bright simply makes smokers want to indulge more. No one has smoked even one cigarette during the past 20 years without being aware that it is a health risk.

I have tried books. One, *The Smoke Ring*, by Peter Taylor (Sphere, 1984, 360 pp, £2.95) is a rigorous analysis of the tobacco industry and its effects on our lives and struck me as one of the most brilliant, brave and perceptive works I had ever come across. What effect did it have on my smoking? None at all.

As for the much-vaunted cold turkey, well... it is just about the most stressful circumstance for a smoker that could be devised.

Then, a friend of mine told me about Carr's book. It is the anti-smoking hype of the moment, and it had worked for her.

Carr is a dedicated ex-smoker, with all the zeal of the lapsed Catholic or Communist. I have a feeling I wouldn't want to find him sitting next to me on a plane. He published *The Easy Way to Stop Smoking* privately two years ago, and it began to build up a following. Then, Penguin brought it and it took off.

To give out Carr's secret would be like the famous review of *The Mousetrap* in the satirical magazine *Private Eye*. "The policeman did it". But I can't avoid it. Because what he says is what I did. I just stopped. I decided I wasn't going to need tobacco; so when I feel I ought to want a smoke now—and, of course, it happens quite a lot—I simply say to myself: No, I don't. And I don't.

This miracle can last, we promise to report back to you in three months. Apart from anything else, we've got to keep the challenge going...

## Counselling

By Barbara Dalzell

I SPENT a weekend of my life hallucinating about salami. A 48-hour obsession with it almost took my mind off the fact that I was going to die if I didn't have a cigarette, that I'd kill for nicotine, that smoking was a glorious life-enhancing activity.

I'd given up smoking before—unsuccessfully. This time I feel more confident of success. I enrolled in a course called Full Stop (01-444-8876) which offers four three-hour counselling sessions spread over two weekends.

The course, run by Gillian Riley, takes smokers through the psychology of smoking addiction and explains how to stop without feeling deprived of life's greatest support system.

The classes are held in a friendly, relaxed atmosphere—so relaxed that there is no shortage of ashtrays around and no suggestion that one should stop smoking the minute one starts the first session. Giving up, as Gillian explains, is not a one-off event. It is part of a process.

To make sure that the process is working, Gillian continues to phone for up to a year to see if further counselling is needed.

What impressed me most about Full Stop (and convinced me that it was well worth the £150 fee) was that it was intensely positive. The difficulties of giving up were acknowledged, and dealt with, but the underlying emphasis was on the rewards of giving up as an ex-smoker.

I can't pretend that stopping smoking was a laugh a minute. Withdrawal symptoms are withdrawal symptoms and nothing on earth can make them enjoyable. Three weeks after stopping I no longer feel that I'd kill for a fag; there have been moments, however, when maiming somebody was on the cards.

Irritable moments aside, I'm feeling the benefit of stopping. None of that sordid spluttering and wheezing in the morning; farewell to panicky feelings when the shops are shut and there are only two cigarettes left in the packet; the pleasure of playing with my Persian cats who no longer smell as if they had spent a month in a kipper factory.

And oh! The odious feeling of smugness, cunningly concealed I hope, but at its strongest when I watch other people putting strange, smelly, unhealthy things in their mouths.



## Hypnotism

By Ian Davidson

I HAVE not given up smoking; the furthest I am prepared to go in public, at the risk of sounding a touch smug, is to confess that I have not smoked since just before lunch on Tuesday, September 9, 1986.

Naturally, I do not mind if my friends gaze at me with wide-eyed admiration. But what none of them seem to have guessed—I hardly dare admit it even to myself—is that I may have passed through a mystical personality change worthy of Tania in the *Magic Flute*: I did not give up smoking—but I may have become a non-smoker.

It all started a long time ago—32 years ago, to be exact. The army used to space out the boredom by encouraging new recruits to smoke at frequent intervals. "All right, lads, fall out for a smoke!" For me, that was the beginning of 32 years of 40 a day—which works out at about 467,200 cigarettes.

Giving up was not because I was feeling ghastly; I did, of course, enjoy a ritual coughing spasm every morning and heard plenty about snoring at night, too.

It was because of my wife; or rather, a pincer movement between my wife and her dearest friend. They say that nagging does no good; I've said it myself, but if the nagging becomes really heated then the pressure can get quite fierce.

The dearest friend had a key to the problem. She had heard of a man who does hypnotherapy, a Mr C. H. Kingston-Hardy. So I wrote to him—for some reason, he did not appear to be in the telephone directory—and in due course he fixed an appointment. I went to see him. This is where the puzzling part begins. In a 1930s block not far from Baker Street I found Mr Kingston-Hardy in what appeared to be a one-room flat divided into a very small

sitting room and an even smaller kitchenette, with a sliding door between. The room contained an armchair, a divan and what used to be called a radiogram, except that this one included a cassette player. Mr Kingston-Hardy inquired about my smoking level, and confiscated my fags and lighter.

He then invited me to sit in the armchair and listen to a cassette he had prepared; he switched it on and disappeared into the kitchenette. Aha, I thought, this is the relaxation phase, and then he'll give me the business, with swinging watch-chains and clicking fingers.

I couldn't really tell you what was on the tape, except that it explained at great length that smoking was very bad for you. When that was over, Mr Kingston-Hardy came back through the sliding door, invited me to lie down on the divan and, before disappearing into the kitchenette again, put on another cassette. Aha, I thought, this is the second relaxation phase—then he'll give me the business with the pin-point light and the melodious voice. I couldn't reverse in detail what was on the cassette, except that it explained at great length that smoking was bad for your health, that it would take a long time for all the poisons to drain away, and that I could not risk having a single cigarette ever again.

When the second cassette ended, Mr Kingston-Hardy came back through the sliding door and reminded me that the fee (which we had agreed on the telephone) was £50; so I gave it to him. I was surprised and sorry that there was evidently going to be none of the expected business with dim lights and piercing X-ray eyes.

Despite his slight let-down over the atmospherics of the seance, I am forced to conclude that Mr Kingston-Hardy is latter-day Sarastro. All the other people I know who have tried to give up smoking have complained of the fearful and constant effort of will required.

Not me. I have frequently thought: how nice it would be to have a cigarette. But I cannot pretend that I have had to go through any very strenuous moral press-ups to resist it.

Nevertheless, I still think my unassuming public posture remains a prudent precaution: I may yet discover that my transfiguration into a truly superior and wonderful non-smoker was imperfectly achieved, and that I am less a Tania than a Papageno. Still, I have lived over four months without the weed. At £50 a throw, that's a great bargain.

C. H. Kingston-Hardy  
01-402 6957

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realised my playing  
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## SO THERE YOU HAVE

IT. The astonishing fact is that out of our six guinea-pigs, five of them are currently off the weed. If it all sounds

a bit too good to be true, if you feel the ex-smoker is just one cigarette away from restarting the noxious habit, and if you are wondering just how long

this miracle can last, we promise to report back to you in three months. Apart from anything else, we've got to keep the challenge going...





## • SPORT •

plans for developing this site, if fulfilled, will produce yet another major development complex to rival those I have reported on recently from Australia, Tokyo, Seoul and California.

Butch Buchholz had no easy ride. When the 1985 site at Delray Beach went bankrupt and the 1986 experiment at the Boca West resort was obviously overhauled by the local community, Buchholz sought the help of Merrett Stierheim, the former county manager of Dade County in southern Florida, who is now the executive director of the WITA.

Together they looked at possible sites for major tennis complex and for sound business reasons, settled on Key Biscayne. Buchholz realised that corporate involvement was essential for the tournament to succeed, both as subsidiary sponsors and as the purchasers of 400 to 500 seats to build around the centre court.

He also knew that Miami is the third largest city in the US, behind New York and Washington, and is also the 11th largest city in population.

Furthermore, with 22,000 employees and an annual budget of \$1.5bn, Dade County is the largest regional government in the US outside the

fore had the resources to back the scheme. Following a successful public hearing last July the county council agreed to prepare the site and build the courts. In the event, a further \$1m was required to complete the conversion of 30 acres of the 60-acre site from a swampy rubbish dump into the beautifully landscaped site of a major tournament.

Happily, the players have supported the event wholeheartedly, with 17 of the top 20 men and 19 of the women entering. The highlights of court have been the heroic performance of Mats Wilander in defeat and the victory of Steffi Graf over world champion Martina Navratilova.

I believe Steffi Graf's 6-3 6-2 win in 57 minutes against Martina Navratilova marks the end of the reign of the 27-year-old German girl as the force in women's tennis - something she was threatening last year. On a horribly windy day she did everything better and faster than Martina, who was totally out-played and graciously admitted afterwards: "Today she was the best player in the world, and she's the star there until I beat her again." I fancy that may not happen for quite

to be used more than once a fortnight between September and April. It helps avoid fixture pile-ups. West Ham United might just have won the league championship if their fixtures congestion hadn't forced them to play seven games in 18 days at the end of the season, and it can reinforce customer loyalty by ensuring that games take place as advertised.

Undersoil heating costs around £100,000 to install, and hundreds of pounds a day to run. Faced with outlays of this size, even Arsenal were happy to accept a handout to defray the cost of installation.

One almost unbelievable criticism of plastic is that it gives home teams an unfair advantage. Doesn't every home team have a built-in advantage? How many footballers relish a trip to Anfield, or to Wimbledon, or to Walsley? Look at the final Division One table for last season. Luton—

esting statistic. The club which gained at home the highest percentage of total points won was not QPR or Luton, but Southampton. Does this mean that the pitch at The Dell should be dug up and a new surface laid?

No two pitches are all QPR's pre-plastic mud-bath—no more suitable for football than the English Channel would be for the Boat Race.

The issue of plastic pitches has given the big clubs the opportunity to resurrect their age-old wailing threats of a "breakaway Super League," in which grass would be the only permitted surface. But Manchester United had better pull up their socks if they want to qualify. Their own manager, Alex Ferguson, partly blamed the Old Trafford pitch for the club's fourth round cup defeat by Coventry. The undersoil system failed, leaving one side of the pitch nicely-thawed but

12.00 CBSO Wind Ensemble.  
(Salandina, K 391); (3.00 Inter-  
national) (Salandina) (Sym-  
phony wind instruments). Grainger  
(Alphart, p). 3.40 Orchestral  
4.15 Stravinsky, Richter (mono)  
from the 1950s (orchestra)  
Mozart, Tchaikovsky (4.50  
Reading); 4.55 Rachmaninov,  
Prokofiev, 5.30 The Jews.  
5.40 CBSO Wind Ensemble.  
5.00 News, Travel, 5.05 Down Your  
Way, 5.10 Shipping Forecast, 5.15  
Weather, 6.00 News, 6.15 Feedback  
(Christopher Duxley with comments  
and interviews about the BBC's 6.30  
Soundings, 6.30 Soundings with  
Charles Dickens, 6.35 Soundings  
An Infamous Address, 8.45 The Resur-  
rection of Christ, 9.00 News; Post  
by Dick Ferns.